Austria ... Sch 19	Indonesia ... Rp 2500	Portugal ... Esc 60
Bahrain ... Din 0.550	Italy ... L 1200	S. Arabia ... Rls 5.00
Belgium ... BFr 42	Japan ... Y555	Singapore ... S$ 4.10
Canada ... C$1.00	Jordan ... Fils 500	Spain ... Pta 110
Cyprus ... [illegible]	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Denmark ... DKr 7.75	Lebanon ... L 9.00	Sweden ... SKr 6.50
Egypt ... [illegible]	Luxembourg ... LFr 42	Switzerland ... SFr 2.20
Finland ... Fmk 6.00	Malaysia ... Rin 4.25	Taiwan ... NT $55
France ... FFr 6.00	Mexico ... Pes 300	Tunisia ... Din 0.600
Germany ... DM 2.20	Morocco ... Dh 6.00	Turkey ... L 210
Greece ... Dr 70	Netherlands ... Fl 2.50	U.A.E. ... Dh 6.50
Hong Kong ... HK$ 12	Norway ... NKr 6.00	U.S.A. ... $1.00
India ... Rup 15	Philippines ... Pes 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Telecoms: Europe struggles to catch up, Page 20

World news

Elections in Cyprus strengthen Kyprianou

Spyros Kyprianou, President of Cyprus, consolidated his position in power by scoring a tactical victory against the right wing and Communist Greek Cypriot opposition parties in parliamentary elections.

With over 80 per cent of the votes counted, the president's centre right Democratic Party scored 27.3 per cent compared with 19.5 per cent in 1981. The right wing National Rally obtained 34 per cent, compared with 31.9 per cent in 1981. The pro-Moscow Akel's share of the vote fell to 27.08 per cent from 32.76 per cent.

The result was interpreted as an indirect vote of confidence for Kyprianou's policies on the Cyprus problem. Page 22

Cerezo well ahead

Christian Democratic lawyer Vinicio Cerezo, who has survived three attempts on his life, was heading for a 2 to 1 victory for the Guatemalan presidency, against right-winger Jorge Carpio. Page 4

Ceasefire offer

Spain's Government has reportedly offered ceasefire terms to Eta Basque guerrillas, including "generous treatment" to separatists wanted for violent crimes. Bases talks, Page 2

Shultz tour

US Secretary of State George Shultz left for a European tour starting with a visit to London. The UK became the first ally to agree to take part in research in the space weapons defence system.

Khyber Pass revolt

Officials in Pakistan maintained a news blackout on the situation in the Khyber Pass where President Mohammad Zia ul-Haq said his troops had crushed a tribal revolt.

Troops patrol state

Paramilitary troops and police patrolled areas of India's western Gujarat state to head off violence during a 24-hour strike against policies favouring minorities.

State of siege lifted

The Argentine Government lifted a 60-day state of siege, 11 days before it had been scheduled to expire.

'Telegraph' control

The UK Office of Fair Trading cleared the way for Canadian businessman Conrad Black to take a controlling interest in the Daily Telegraph newspaper. Page 11

No Channel inquiry

UK Transport Secretary Nicholas Ridley firmly ruled out a public inquiry into proposals for a Channel link, saying that it would kill the project.

Sakharov 'well'

West German newspaper Bild said it had received a video film from the Soviet Union showing dissident physicist Andrei Sakharov in good health. He is living in internal exile in Gorky but his family say he is unwell.

Nobel pair save life

Heart specialists Yevgeny Chazov (Soviet Union) and Bernard Lown (US), who are to receive the Nobel peace prize today in Oslo, helped save the life of a Soviet television journalist. He collapsed with a heart attack during a news conference. Picture, Page 2

Unesco strike

Bruno de Padirac, the president of Unesco's staff association, said he would start a hunger strike today to protest at what he called the agency's "arbitrariness and inconsistency" in recruiting people. Up to 800 jobs may be cut next year.

Business summary

Wall St surges 19.84 to 1,497.02

WALL STREET: The Dow Jones industrial average closed 19.84 up at 1,497.02, a new record. Page 42

TOYKO: Stocks ended mostly higher in extremely thin trading. The Nikkei average added 7.33 to 12,798.23. Page 42

LONDON: Gilts were lower and prices eased on concern over oil prices. The FT Ordinary share index lost 2.2 to 1,115.4 while the FT-SE 100 shed 9.7 to 1,392.2. Page 42

DOLLAR was firmer in London closing at DM 2.535 (DM 2.5235), FFr 7.73 (FFr 7.715), SFr 2.117 (SFr 2.1065) and Y203.55 (Y203.25). On Bank of England figures the dollar's index rose to 127.4 from 127.3. Page 35

STERLING lost 1.9 cents against the dollar in London to close at $1.4585. It also fell to DM 3.6975 (DM 3.73), FFr 11.275 (FFr 11.4), SFr 3.0875 (SFr 3.1125) and Y296.75 (Y300.25). The pound's exchange index fell to 80.3 from 81.1. Page 35

GOLD fell $5 on the London bullion market to $317.75 and was $4.70 lower in Zurich at $317.65. In New York the Comex February settlement was $319.80. Page 34

UNION BANK of Switzerland will shortly make a formal application to the Federal Cartel Office to buy a bank in West Germany, according to a spokesman for the Cartel Office.

BONN approved subsidies totalling DM 320m ($127.5m) over four years to fund a West German-Dutch venture to develop a new generation of semiconductors. Page 8

SHARE PRICE of Cable and Wireless, the UK telecommunications group, came close to 587p, the level at which tomorrow's offer-for-sale of the Government's remaining holding in the group is underwritten. It closed 13 down at 583p. Lex, Page 22; Details Page 38

GLENGATE-KG properties, a joint UK-Japanese development company, has purchased the former headquarters of the Post Office in the City of London, paving the way for a £150m ($219m) office development. Page 11

CHLORIDE, British battery group, announced resignation of its chief executive after only breaking even in the six months to September 30 against a £5.4m ($7.8m) pre-tax profit in the same period last year. Page 22; Details, Page 26

SVENSKA Petroleum, Swedish state-owned oil company, and co-operative-owned OK Union, are to form a new company through the merger of their oil interests. Page 23

BAYERISCHE VEREINSBANK, West German commercial bank, substantially increased earnings with a strong boost from share and bond market trading. Page 23

DIGITAL EQUIPMENT of the US, second-largest computer maker in the world, is to form a 50-50 joint venture in factory automation with Comau, machine tools and robotics subsidiary of Italy's Fiat group. Page 23

OLIVETTI, Italian data-processing equipment maker, is about to launch a new company to play a major role in developing data-transmission services in Italy. Page 23

ARBED SAARSTAHL, troubled West German wire rods and structural steels producer, could come under the control of four of the country's biggest steel producers under proposals they are studying. Page 24

NORCEM, Norwegian industrial concern that has expanded strongly into offshore activities, announced it has a majority shareholding of 54.8 per cent in Aker, the offshore fabricating group. Page 23

HANS GERLING plans to regain full control of the West German insurance group which bears his name in a deal with entrepreneur Friedrich Karl Flick, which could be worth about DM 500m ($198.4m). Page 23

Spot prices fall as Opec aims for 'fair market share'

BY RICHARD JOHNS IN GENEVA

MEMBERS of the Organisation of Petroleum Exporting Countries (Opec) agreed unanimously yesterday to risk a fall in oil prices in pursuit of "a fair share of the world oil market."

In reaction, spot market prices plummeted, with a deal for Brent blend, the most important North Sea crude, done at $28.50 per barrel compared with a recent high of $30.10.

At the end of the three-day meeting, senior delegates were insistent that Opec was not declaring a price war against non-members such as the UK, whose unrestrained output has been forcing down prices and costing Opec market share. Nevertheless, one respected oil company official said: "If there is no response from them (non-Opec producers), then prices will inevitably fall."

The three-day meeting did not settle precise ways and means of securing higher sales. Instead, it set up a committee comprising the chief delegates of Venezuela, Indonesia, Iraq, Kuwait and the United Arab Emirates to produce recommendations which are expected to be examined during the next three months.

Creation of this committee was partly a device to disguise differences over the extent of the risks to be taken in what all acknowledge to be a hazardous strategy.

Algeria and Iran were understood to be particularly strongly opposed to any collective renunciation of the selling rates set last January and revised in July. Venezuela was also less than happy with the shift away from price maintenance.

In theory, the official selling prices remain in force as does the ceiling on Opec output and the related system of quotas, which was agreed in October 1984 and amounts in total to 16m barrels a day (b/d).

But delegates were clearly regarding this figure as a "floor" from which Opec will push upwards for a greater market share.

The consensus among members, including Saudi Arabia, was that collective output should be no less than an average of 17b/d with seasonal adjustments up to 18m b/d in the winter and autumn, falling to 16m bd in the spring and summer. Seasonal variations of this kind were part of compromise proposals put by Venezuela.

"We .. are going to defend our market share, and our resolutions in the past will be reaffirmed," said Dr Subroto, Indonesia's chief delegate, with his usual dogged cheerfulness.

Opec still harbours the hope that other producers will co-operate in trying to maintain prices by curbing their output. But implicit in the communiqué issued yesterday is the threat of a price war if they do not. As yet, however, Opec members have no consensus as to how far they will go in confronting non-Opec producers, notably the UK, and to a lesser extent, Norway.

Mexico and Malaysia attend this meeting as observers. Their delegates gave the impression that their Governments were still prepared to collaborate with Opec in restraining exports.

One chief delegate said it was now "extremely difficult to compress downwards from 18m b/d" – Opec's actual rate recently. Output has been boosted by the need to rebuild oil companies' stocks, and a premature bout of cold weather. All members, with the exception of Venezuela, Saudi Arabia, and Algeria have clearly been in breach of their quotas under the production sharing pact.

Opec had difficulty in setting up the "planning" committee, with Sheikh Akmed Zaki Yamani, Saudi

Continued on Page 22

Lex, Page 22; oil prices, Page 34; London market report, Page 38

Sterling sharply lower on oil fears

By Philip Stephens in London

FEARS ON foreign exchange markets of a possible oil price war brought sizeable losses for sterling yesterday and dampened hopes in the City of London of an early cut in interest rates.

The pound, which was also affected by a slight rebound in the value of the dollar, lost ground against all leading currencies in response to the statement at Opec's meeting in Geneva.

The implied threat to prices caused heavy selling in early trading. Sterling stabilised later in the day.

The pound closed in London 1.9 cents lower at £1.4585. Against the D-Mark it lost 3.25 pfennigs to end at DM 3.6975, the lowest level since March. The sterling index, which measures its value against a basket of currencies, fell by 0.8 points to 80.3.

On the London money markets interest rates firmed slightly in response to the weaker pound, dimming hopes that the UK Treasury might seek a small cut in interest rates to coincide with this week's sale of its shares in Cable and Wireless.

The possibility of lower oil prices has also created renewed uncertainty inside and outside the Treasury on the scope for possible tax cuts in next spring's budget.

Money markets, Page 35

Pretoria debt payments 'face delay to 1990'

BY PETER MONTAGNON IN LONDON

SOUTH AFRICA would not start repaying some $14bn of debt caught up in its payments standstill until 1990, according to confidential rescheduling proposals circulated to main creditor banks at the end of last week.

The proposals, drawn up by South Africa's debt co-ordinating committee and passed on to creditors by Dr Fritz Leutwiler, the Swiss mediator between Pretoria and its bank creditors, also call for the current standstill to be extended until the end of March while a formal arrangement is reached.

At their core is a suggestion that South Africa needs four years and four months leeway from the moment the standstill was effective on September 1. Only after that would phased repayment of the debt begin.

Bankers who have seen the proposals say that many aspects are likely to prove unpalatable to creditors generally. They say they regard them as an initial shot in a lengthy negotiating process.

Many bankers had been hoping that South Africa's current-account balance-of-payments surplus would allow repayments to begin after a much shorter period, with possibly even a downpayment of principal at the start of the rescheduling as a gesture of goodwill.

However, the continuing weakness of the rand and worries about the effect of anti-apartheid opinion on South Africa's export performance have apparently prompted the Standstill Co-ordinating Committee, headed by Dr Chris Stals, to conserve as much foreign exchange as possible.

The documents have so far been sent only to the 20 chief creditors present at the first meeting between the banks and South Africa chaired by Dr Leutwiler in London in October. A further meeting to discuss them is still expected early in the new year, although no date has been set.

Meanwhile, expectations are growing that Dr Leutwiler will visit South Africa shortly to push home to leaders there his belief that a successful rescheduling arrangement will also require sweeping political reform.

A spokesman for the former Swiss central banker, who now chairs the Brown Boveri industrial concern, said: "I do not exclude that Dr Leutwiler is going there to discuss – things which he has already criticised publicly." However, he declined to confirm that such a trip was definitely planned or to comment on the debt proposals.

Still unclear as details of the proposals began to filter out yesterday were the speed with which the debt would be repaid after 1990 as well as the interest rate South Africa would pay on its rescheduling, although South Africa is understood to have left some leeway for negotiation on that point.

Further clarification may be forthcoming when South Africa announces details of the extension of the standstill, probably as early as today. South Africa, with total debts of some $24bn, was forced to freeze most debt repayments after heavy withdrawals of short-term credit lines during the summer.

Anthony Robinson in Johannesburg writes: The rand firmed marginally against the dollar in response to the additional exchange-control measures that came into effect yesterday and closed at around 37.35 US cents compared with the Friday night close of 36.80.

At one point the currency reached 38 cents, when dealers were surprised to see the reserve bank step in as a buyer of dollars. The surprise stemmed from the fact that dealers had understood that the point of the new measures was to give a psychological boost by lifting the rand from its previous floor.

The debt moratorium covers repayment of principal on foreign debt which leaves an estimated $200m to $300m in interest payments due for repayment around the end of the year. As a result, dealers are sceptical about any substantial improvement in the currency in the immediate future.

December is traditionally a slow month for trade and the new requirement obliging exporters to repatriate earnings within seven days is not retroactive, so the market is not expecting substantial inflows from that source.

Meanwhile, the new rules by which the reserve bank pays mining companies in rand for their gold bullion means that an estimated $18m daily will no longer flow on to the market from the mining companies but will flow instead into the reserves.

Treason charges against 12 of 16 prominent members of the anti-apartheid United Democratic Front (UDF) were withdrawn yesterday, seven months after the start of South Africa's most important treason trial for 20 years. All 16 were accused of "furthering the aims of a revolutionary alliance."

The case against the four remaining accused, all members of the South African Allied Workers' Union, will continue in the Pietermaritzburg Supreme Court. Page 3

GAF plans $4.6bn Carbide bid

BY PAUL TAYLOR IN NEW YORK

GAF, the US special chemicals and building products group, said yesterday that it planned to launch a two-step takeover bid for Union Carbide, the beleaguered chemicals group. The offer values Union Carbide at about $4.6bn.

The bid appears to represent a bold attempt by GAF and Mr Samuel Heyman, GAF's chief executive, to take control of a group more than 10 times its own size, but one which has foundered after the toxic gas leak which killed more than 2,000 last year at its plant in Bhopal, India. Union Carbide faces billions of dollars worth of lawsuits over Bhopal.

GAF has already built up a 10 per cent stake in Union Carbide – triggering a wave of speculation on Wall Street about a possible takeover attempt. Shares in both companies jumped sharply yesterday after GAF's announcement. Union Carbide shares were quoted up $3¼ at $66¼ while GAF's stock soared by $8¾ to $56¾ in very active trading.

Union Carbide, which recently launched a major restructuring programme including asset write-downs, divestitures and a plan to buy back 14 per cent of its shares in an apparent attempt to head off a takeover bid, said yesterday that it had no immediate comment on GAF's proposed offer.

Under the terms of the proposed bid, detailed in a letter from Mr Heyman to Mr Warren Anderson, Union Carbide's chairman and chief executive, GAF said it intended to launch a cash tender offer for 48m Union Carbide shares, which, together with its existing 6.9m shares, would lift its stake to about 80 per cent.

If a satisfactory merger agreement is reached, GAF said that it would then acquire the remaining 20 per cent stake at the same price in cash. Otherwise it would complete the merger by exchanging the remaining shares for preferred stock with the same value.

At the proposed price, the offer represents a substantial premium over analysts' estimates of Union Carbide's book value of about $60 a share.

In his letter to Mr Anderson, Mr Heyman said: "We believe that GAF's offer represents a fair price for the shares of Union Carbide and is in the best interest of its shareholders. The offer price is nearly twice Union Carbide's share price one year ago, more than 150 per cent of GAF's initial acquisition cost of $43¾ per share less than six months ago, and approximately 19 times Union Carbide's annualised net earnings – excluding extraordinary items – over the last four years."

The offer is conditional on a number of factors, including GAF arranging financing for the deal. A merger would also require Justice Department clearance under the Hart-Scott-Rodino Antitrust Act.

Mr Heyman, who won control of GAF two years ago after a bitter 10-month proxy battle, said GAF planned to finance the offer with a $1.5bn bank credit line, which has been arranged, and the private placement of debt securities arranged through Drexel Burnham Lambert, the Wall Street investment bank which specialises in placing high-yielding, low-quality "junk bonds." Mr Heyman said Drexell Burnham was "highly confident" that it could arrange the financing.

In his letter to Mr Anderson, Mr Heyman enphasised that GAF "would prefer a negotiated transaction" but added "we wish to stress upon you the bona fides of our intentions ... and GAF's determination to see this through to a successful conclusion."

Since Mr Heyman took over, GAF's earnings have rebounded strongly. Last year the group reported net earnings of $56.7m on sales of $731m against a loss of $3.8m on sales of $699m in 1983.

Lex, Page 22; Men and Matters, Page 20; Harder life for corporate raiders, Page 22

GEC launches Plessey offer

BY CHARLES BATCHELOR IN LONDON

THE General Electric Company (GEC), Britain's largest electronics and electrical group, last night ended a week of mounting expectation with the formal launch of a £1.18bn ($1.73bn) takeover bid for Plessey, the defence and telecommunications company.

GEC announced late yesterday it would be making an offer worth 163p for each Plessey share, 13p below Plessey's closing share price. GEC first announced last Tuesday that it was interested in merging with Plessey at a price of 160p per share.

GEC is offering 320p cash, one new ordinary share and £1.60 nominal of 7¾ per cent convertible loan stock for every four Plessey shares. GEC's shares fell 2p to 172p ahead of the formal bid while Plessey fell 6p to 176p.

Confusion surrounded last night's bid announcement, which was released prematurely from the company's London headquarters at 6.30pm. GEC had intended to make its announcement at the start of business in the London Stock Exchange today.

Pless..y did not immediately respond to the GEC bid, but last week it rejected GEC's approach and countered with a proposal to buy out GEC's interest in the production of System X digital telephone exchanges. The companies have cooperated on this programme since the withdrawal of STC as a third partner in 1982.

The formal GEC bid came on the same day Plessey announced a reshuffle among its team of professional advisers who will be assisting it in its defence.

Kleinworth Benson will remain Plessey's main merchant bank but First Boston has been brought in to advise on international aspects of the defence.

Plessey's decision to retain a US investment bank prompted speculation it may look for a "white knight" among the large international electronics groups to rescue it from the unwelcome GEC approach.

Plessey has replaced Rowe & Pitman as its stockbrokers because the firm also acts for GEC. Phillips and Drew has been taken on in Rowe & Pitman's place.

Plessey has also appointed Linklaters & Paines as its legal adviser in place of Oppenheimer Nathan & Vandyk. Both GEC, with annual turnover of nearly £6bn and Plessey, with sales of £1.42bn, are prominent suppliers of equipment to British Telecom and the UK defence ministry.

The companies are, respectively, eighth and 11th in the world telecommunications equipment league, well behind AT&T, GTE, and ITT of the US, Siemens of West Germany, Nippon Electric of Japan and Northern Telecom of Canada.

GEC believes a combined group would have sufficient resources to finance the development of new electronic and telecommunication systems and to compete in the European and US markets.

The profits of both companies have been under pressure, partly as a result of tougher conditions imposed by British Telecom on its equipment suppliers. Plessey's pre-tax profits fell 13 per cent to £70m in the six months ended September and GEC's profit fell 13 per cent to £289m in the same period.

CONTENTS

Community economic advisers urge greater labour flexibility

BY QUENTIN PEEL IN BRUSSELS

EEC FINANCE ministers were yesterday presented with a controversial economic report urging more flexibility in labour markets, including wider wage differentials and holding down the non-wage costs of labour, like social security contributions.

The report of the top-level Economic Policy Committee, made up of senior economic advisers from the EEC member states, endorses the arguments that rigidity in the labour market is a key factor in the high level of unemployment throughout the Community.

It urges not only a slower growth of real wages to increase European competitiveness, but also action to reduce regulation of the labour market, such as strict hiring and firing rules, setting minimum wages, and *excessively rigid safety-at-work* requirements.

The preliminary report of the committee was presented yesterday by the chairman, Mr Ian Byatt, the deputy chief economic adviser to the British Treasury.

"Our broad conclusion is that labour market flexibility and labour mobility are falling at the very time when we need to increase flexibility," he said. "A lot of discussion has been on wage moderation. We wanted to go further, to look at the degree of mismatch in rewards, and the need for greater wage differentiation between industries, skills, age and son on."

The committee indentifies a "productively paradox" where greater productivity results simply from job cuts, because unit labour costs are too high relative to unit capital costs.

Better organisation of work, more flexible hours (provided that does not cost more), and greater ease in engaging workers for short periods, *would be alternative ways of* increasing productivity without losing jobs, it says.

To improve labour mobility, EEC governments need to promote retraining, as well as training, to provide more flexible housing policies (rent controls *are seen as a rigidity*), more adaptable pensions and standardised qualifications for trained workers, the report says.

Greater flexibility in wage differentials would include wider differences to reflect the *relative scarcity of labour* between new entrants to jobs and long-serving incumbents.

"Wage flexibility does not necessarily mean income differences where you have several wage earners per household," Mr Byatt said.

The report warns that while early retirement may seem an attractive alternative to job cuts, it also increases social security costs and therefore ultimately the social security burden on employment.

The finance ministers yester*day instructed the Economic* policy committee to continue its work, and seek to identify more specifically those areas of labour rigidity needing most urgent action. The full report is likely towards to end of 1986.

The Soviet and US heart specialists at the centre of a diplomatic storm over this year's Nobel Peace Prize yesterday appeared *to have saved the life of a Soviet television journalist.* Reuter reports from Oslo. Mr Lev Novikov suffered a heart attack during a stormy news conference he attended to photograph the doctors who will today accept the prize, Yevgeny Chazov and Bernard Lown,

He and Dr Chazov are shown above working desperately on Mr Novikov

W. German industrial production rises 2%

West German industrial production rose a seasonally adjusted 2 per cent in October, the Economics Ministry re*ported yesterday,* **writes Peter Bruce, from Bonn.**

The Ministry said the October production figure would *probably be revised upwards* later, as happened in September, when provisional figures were lifted one percentage point.

The Ministry said seasonally adjusted industrial orders also rose 2 per cent in real terms in *October. However the com*bined September and October order figures represent a fall of 2 per cent from the previous *two months.*

Domestic order volume in September and October this year were 5 per cent higher than the same time last year, while export orders grew 3 per cent in volume in the same period. For most of this year and last, export order growth rates easily outstripped local orders.

The Ministry said production in the troubled construction *industry had shown a parti*cularly strong 7 per cent increase over September, but warned that this might have been due to changes in the way production statistics are assembled. The Ministry's own figures show construction in October and September was the only area of industrial production to fall against output during the same two months last year.

Turkish loan plans

Turkey will not be returning to the international money markets for a new balance of payments loan, at least for the first half of 1986, even though it has a net borrowing require*ment of $350m-$400m,* central bank officials said yesterday, **David Barchard reports from Ankara.** Instead it will seek funds under several new financing instruments. Chief of these is likely to be a World Bank "B-loan" of up to $300m linked to the Kayraktepe dam project on the Goksu river between Konya and Silifke.

Brandt in Poland

Mr Willy Brandt, chairman of West Germany's Social Democrat Party, left Warsaw yesterday after a three-day visit to promote co-operation in Europe and to commemorate the 1970 treaty which he signed for West Germany recognising Poland's postwar western frontier, **writes Christopher Bobinski in Warsaw.** He saw General Wojciech Jaruzelski and other Polish *party leaders, as well as Cardi*nal Josef Glemp, the head of the Catholic church, and prominent Solidarity advisers.

Overture to Eta

Spain's Socialist Government has offered new ceasefire terms *to Eta Basque guerrillas,* including "generous treatment" to separatists wanted for violent crimes, according to the newspaper El Pais, **Reuter reports from Madrid.**

German spies swap

West Germany released a 35-year-old Communist agent to East Germany last week in exchange for two convicted western agents, Bonn officials told AP yesterday. It was the second such swap this year.

Mitterrand pledge

France is not the policeman of Africa and it will not become involved in trying to recover northern Chad, *President Fran*cois Mitterrand said yesterday, **Reuter reports from Paris.** He was speaking on television ahead of next week's opening in Paris of a three-day Franco-African summit, during which the stalemated conflict in Chad is expected to be one of the main items discussed.

Papal challenge to Church reforms fails to materialise

BY JAMES BUXTON IN ROME

THE Catholic Church's two-week special synod, which ended here on Sunday, appears to have defied expectations that it would be used by Pope John Paul II to attempt to reverse some of the changes made after the second Vatican council 20 years ago.

Nor, as some had predicted, was it the scene of public conflict between the conservative and liberal wings of the church. Instead, it appears to have been exactly what the Pope intended: an opportunity to celebrate, examine and promote the conclusions of the three-year-long council at a distance of two decades.

The 19-page report on the state of the Church drawn up by 155 bishops who took part *in the synod sugegsts that the* gathering was on the whole, a happy and encouraging occasion. For the Pope, it was an opportunity to listen, as representatives from all over the world expressed their views not just on how they saw the Church in general but on the specific problems and difficulties they face.

The most important conclusion is that the Vatican should now prepare a *catechism of* Catholic beliefs which will be universal to the Church. Given the great cultural differences *within it this could be a difficult* undertaking, if the resulting document is to be sufficiently detailed to be valuable. However, all but six bishops voted for this attempt *to codify their* beliefs which appears to represent a search for unanimity after the diversity of the recent past.

The synod also decided to study the role of episcopal conferences, the groupings of local bishops which *sprang up* following the Council. These have taken away some of the authority of Rome on detailed matters of interpretation of the Pope's wishes—a fact for which they have been criticised by some conservatives.

The report recognises their value but also notes somewhat cryptically that episcopal conferences must take account of the *"inalie able responsibility"* of each b' hop "to the Universal Church" and "to his own particular church."

On the state of the Church itself, the synod shows in its report a mixture of optimism and pessimism. It notes the paradox *that in* "the so-called first world," where the teaching of the Church is explained in a broad and deep way," disaffection often shows itself: Where the Church is oppressed by totalitarian ideologies and where it raises its voice against social injustices, it seems to be accepted in a more positive way.

Danes keep EEC partners on tenterhooks

BY HILARY BARNES IN COPENHAGEN

DENMARK IS expected to keep the European Community in suspense until after next week's meeting of EEC foreign ministers on December 16-17 before deciding whether to accept the *reform proposals laboriously* negotiated at last week's Luxembourg summit—and the issue is likely to prove a cliff-hanger.

The decision will be determined by the attitude of the Social Democratic Party, which, although in opposition, normally controls a centre-left foreign policy majority against the minority government in the nine-party Folketing (Parliament).

The party's initial reaction to the summit was not as negative as pessimists feared, but it was not positive either. Its parliamentary group seems to be finely balanced between its semi-neutralists, who have led the party over the past three years *to inflict a series of* defeats on the Government over Nato policy issues, and its Atlanticist traditionalists.

The decision could depend on the mood of the moment. Diplomats here are hoping, for example, that when the Luxembourg presidency presents the summit proposals to the European Parliament tomorrow, it will not do so in terms which cause the Social Democrats to *conclude that the Government's* assurances that the proposed reforms really have little practical significance are not to be trusted.

The issue causing the party most trouble is the proposal for modifying the role of the European Parliament. The Folketing *decided in 1984 that it could not* accept an extension of the Parliament's powers.

The Government argues that as the Council of Ministers will continue to have the last word, the Luxembourg proposals do not depart from the Folketing's policy.

The second stumbling block is the Luxembourg agreement permitting majority voting on internal market issues. Safeguards were written *into the* agreement, mainly to appease the Danes, so that national regulations for the protection of the environment and the *work-place will take precedence* over Community standards in cases where national regulations are more stringent.

The Social Democrats have said they will consult the unions and environmental organisations before making up their minds.

There was consternation in the Community—and in the Danish Foreign Ministry—when the Social Democrats told the Government last month that none of the reform proposals likely to be disclosed in Luxembourg was acceptable and *that if the Prime Minister* agreed to them, he could count on being defeated

Hungary to seek higher productivity

By Patrick Blum in Vienna

HUNGARY'S BUDGET for next year aims to overcome the downturn in the economy by increasing exports and raising productivity. Unions have also been called on to improve efficiency and labour discipline, according to the MTI news agency.

National income is expected to increase by only 0.5 per cent this year with industrial production rising by a modest 1.5-2 per cent. Construction output has declined and agricultural production will be 1 per cent lower than planned.

A Communist party report says industry must increase its contribution to national income next year and raise exports *significantly. National income* has been set to grow by 2.3-2.7 per cent and domestic consumption by only 1 per cent, the same as in 1985. Consumer prices will be allowed to rise by 5 per cent although controls will be stricter to prevent unjustified rises, MTI says.

Industrial output is set to rise by 2-2.5 per cent and that of agriculture by 3-3.5 per cent. Investments will be directed at making technical improvements, expanding exports and raising energy efficiency.

Czech Premier hits out at management

BY LESLIE COLITT IN BERLIN

EFFORTS TO speed up introduction of new technologies in the Czechoslovak economy have met with poor response, according to Mr Lubomir Strougal, the Prime Minister. Unveiling targets in the next five-year plan, he blamed management for "short-comings, weaknesses and bottle-necks" in economic performance.

Mr Strougal noted that capital investments were still being used mainly to expand the manufacturing base instead *of modernising* obsolete equipment. Poor progress had been made in reducing consumption of new materials and energy.

"Old habits" persisted among many leading government and management officials which were a "serious obstacle" to achieving targets. He spoke of the need to devleop "socialist entrepreneurship" while criticising the way top managers were selected and deployed.

Mr Strougal has a reputation in Czechoslovakia of being a pragmatic minded technocrat but he was unable or unwilling to shake up management by introducing meaningful reforms. The Czechoslovak Communist Party fears that it would again cause political forces to resurface which were buried after the abortive Prague Spring of 1968.

In the coming five-year plan, Mr Strougal said, the goal would continue to be to reduce industry's share in national income (equivalent to GNP minus services) by curbing extensive industrial growth. The economy was to grow 3.5 per cent next year while industrial output would rise only 2.6 per cent. In the next five years, he said, the economy would expand "at least" 17 per cent to 19 per cent compared with 11 per cent growth in the current five year plan.

Bonn set for new move towards SDI next week

BY RUPERT CORNWELL IN BONN

THE West German Cabinet looks likely to take a preliminary decision in favour of participation in the US space-based Strategic Defence Initiative (SDI)—Star Wars—at its final pre-Christmas session next week.

However, despite Britain's signature of an agreement with the US last week, a formal understanding between Bonn and Washington—most probably in the shape of an exchange of letters—will not be concluded until early 1986.

This will come after a further mission by West German Government officials to finalise details of guarantees to protect the interests of the country's companies involved in the project.

In any case, the differences within the Centre - Right *coalition of Chancellor Helmut* Kohl, which have helped hold up a decision for so long, are still vivid.

Mr Volker Ruehe, deputy floor leader of the Chancellor's CDU/CSU grouping in the Bundestag, declared at the *weekend that a decision in* principle to back participation had been taken "long ago."

But this was immediately disputed by other Christian Democrat parliamentarians, while a weekend congress of Young Liberals reflected the hostility to SDI of their parent Free Democrat (FDP) party within the coalition.

The Young Liberals refused to countenance either a formal agreement, or the more modest alternative of an exchange of letters.

Apart from the resistance within his Government, led by *Mr Hans-Dietrich Genscher, the* Foreign Minister, Mr Kohl has also to reckon with profound misgivings within the scientific community in West Germany.

It became known yesterday that 3,500 scientists have written jointly to the Chancellor, expressing their view that SDI would reduce, rather than augment, world security.

Special hearings held by the Bundestag's Defence and Foreign Affairs committees have thus far revealed a majority of expert witnesses against both SDI and West *German involvement.*

Dutch hearing begins on legal aspects of cruise

THREE Dutch experts on international law told the Dutch parliament yesterday that they saw no legal barriers to deployment of new *Nato cruise missiles in the Nether*lands, AP reports from the Hague.

On the first day of a parliamentary hearing, Professor Pieter *Kuyper of Amsterdam University* said the US-Dutch treaty governing deployment was "not in conflict with existing rules of international law."

The hearing, conducted by the Dutch parliament's foreign affairs, defence, and constitutional affairs committees, comes more than a month after the centre-right Government of Mr Ruud Lubbers, Prime Minister, decided to accept deployment of up to 48 Nato cruise missiles in the Netherlands in 1988.

That decision ended six years of discussions over the deployment issue by four successive Dutch Governments faced with strong domestic opposition to nuclear weapons.

Parliament has already approved the missile decision, but the US-Dutch treaty governing deployment of the US-owned and manned missiles is also subject to parliamentary ratification, expected to come in February.

At yesterday's session, Mr Piet Kooymans, a Dutch *constitutional* law expert, said the proposed treaty did not contain any provisions at odds with the constitution.

If that had been the case, the treaty would have required a two-thirds majority in parliament; the extra margin required to change the constitution.

The left-wing opposition in parliament wants a mandatory two-thirds vote.

Gonzalez discusses accession

WITH SPANISH entry to the European Community *just* three weeks away, Mr Felipe Gonzalez, Spain's Prime Minister, arrived in Brussels yesterday for talks with European officials and the Belgian Government, Reuter reports from Brussels.

During his two-day visit, Mr Gonzalez will meet Mr Jacques Delors, President of the EEC Commission, to discuss final preparations for Spain's accession with Portugal on January 1, more than eight years *after applying to join the 10-nation* group.

He will also see King Baudouin of Belgium and Mr Wilfried Martens, *Belgium's Prime Minister,* and attend final events in the four-month "Europalia" cultural extravaganza which has included art, music and dance shows to mark Spanish entry.

Diplomats said the visit was largely ceremonial and unlikely to touch in detail on difficult problems such as Spain's new year referendum on continued Nato membership and the adaption of the Spanish economy to EEC membership.

One problem that could receive attention is the impact of Spain's entry on relations with other trading partners such as the US, which is worried about access to the important Spanish market, especially for cereals.

Commission and Spanish officials have been working round the *clock to complete legal preparations* for enlargement, including the adaptation of international agreements.

Mr Gonzalez could well discuss with Mr Delors what roles are envisaged for the two Spaniards due to join the Commission in January, diplomats said.

The Commission said yesterday that decisions on the new share-out of responsibilities would be taken when the two Spaniards and one Portuguese join their 14 colleagues at their first new year meeting on January 3.

Mr Gonzalez has nominated Mr Manuel Marin, Spain's main EEC entry negotiator, to one of the Spanish seats on the Commission. The second seat will go to Mr Abel Matutes, vice president of the main opposition Popular Alliance Party.

Mr Delors said at the weekend he would give up responsibility for two departments he has run directly since taking office last January. These are monetary affairs – handling the European Monetary System – and structural funds, concerning aid programmes for poorer regions and social groups.

Other commissioners will also give up some of their responsibilities to make room for the newcomers, diplomats said.

Spain begins more talks on future of US bases

BY DAVID WHITE IN MADRID

SPANISH AND US officials yesterday began a second round of "exploratory conversations" on the future of US military bases in Spain in the light of Madrid's desire for lower force levels. The two days of talks follow a distinct hardening of tone by Mr Felipe Gonzalez, the Spanish Prime Minister. He wants reductions in exchange for keeping Spain in Nato.

Before holding its planned referendum on the issue next March, Mr Gonzalez's Socialist Government wants a US commitment to renegotiate the strength of its four bases. The US, is resisting until Spain's Nato status is resolved.

Delegations headed by Mr Thomas Enders, the US ambassador, and Mr Maximo Cajal, a senior Spanish Foreign Ministry official, yesterday exchanged the *conclusions* of studies which they agreed to draw up at their last meeting in October on the role played by Spain and by the *bases in* Western security. The Spanish argument is based on changes in security needs since the bases were set up 30 years *ago.*

The agreement under which the US has about 12,000 military personnel in Spain was revised in 1983 and *comes up* for renewal in 1988.

When cows cross without a visa, beware of international incidents

Rupert Cornwell, *recently on the frontier near Duderstadt, tells a tale of two Germanys*

THE HOLLOW metallic words issuing from the cassette recorder might have come from another planet, instead of just a few hundred yards down the road at the East German border control post near the pretty little town of Duderstadt.

"We have a message for you," a voice intoned without emotion. "In frontier section 27, subsector E, at frontier point 30, 13 cows broke loose, *violating the sovereign* territory of the German Democratic Republic between 15.40 and 16.35. At 20.05 four cows were *still* there. You are requested," it continued, "to take measures to prevent such violations of East German territory. End of *text. Please pass this message* on."

Hubert Schneemann, in charge of the post on the West German side of the border, turned off the recorder with a shrug. "Things are at least a little better now—they do say 'Good morning' before they start," he says. "But this is the reality *of* inner-German relations: a tragedy."

It is possible that Mr Erich Honecker, the East German leader, will shortly make his *long delayed journey to West* Germany, above all to visit the Saarland where he was born 73 years ago. Official Bonn has been quivering with *speculation* over the event for weeks.

Whatever the recent cosmetic improvements *to one of the* world's most hermetic frontiers, however, and whatever new humanitarian concessions might emerge if and when Mr Honecker meets Chancellor Helmut Kohl, the affair of the Duderstadt cows tells at least as much about the true relationship between the two German states as any agreement extracted from months of intricate diplomatic bargaining.

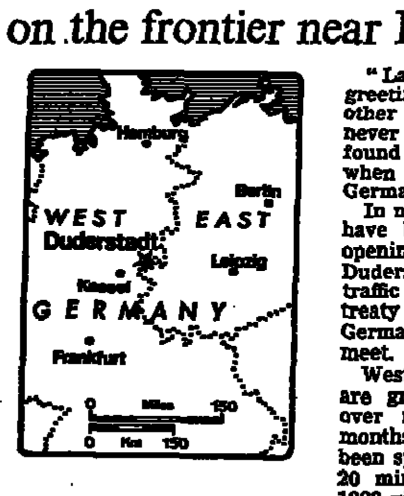
The episode dates back two years and the hapless beasts were recovered by their West German owner without further international incident. Since then, landmines have been removed from the nine feet high wire fence running down the frontier, and the macabre automatic firing devices dismantled. In their place electronic sensors have been installed on a new fence further back, making escape as hard as it ever was across the no man's land between.

In West and East, even in Bonn, the crude division of Germany is a 40-year-old fact *of life to which many people,* even when they do not secretly welcome it, are resigned. But not those directly affected, every *day.*

"We can't accept that frontier, however long it's been *here—just look at it, it's frightful,*" says Mr Karl Krukenberg, who runs the Duderstadt municipality. "Why do they make everything so difficult?"

Few places have suffered as much from partition as Duderstadt. Once it was the main *town of the Eichsfeld a close*-knit catholic enclave in a protestant sea, for 500 years a domain of the electorate of Mainz. *Now four-fifths of the* enclave is in East Germany. Severed from its natural hinterland, Duderstadt must look West for its livelihood and its future.

To an extent it has succeeded. Apart from Germany's oldest town hall, dating from 1225, Duderstadt now boasts the headquarters of the eminently modern Otto Bock company, a world leader in the manufacture of artificial limbs. Unemployment fluctuates between a winter high of up to 27 per cent (when farm and building workers are laid off because of the weather) to a summer low of 8 or 9 per cent. The town, built around a core of 500 beautifully maintained half-timbered houses, exudes sobriety, diligence and prosperity.



But that cannot make up *entirely for the lost sense of* community. True, Duderstadt still receives part of its water supplies from a source at *Brehme, 2 miles into East* Germany, and delegations from the two towns still meet to discuss technicalities.

"The fact is we've lost a hinterland of 15,000 people," explains Mr Krukenberg. "For a while after the war, we had joint sports meetings and so on, but then they stopped. Now the water talks provide the only official link.

"Last year I sent Christmas greetings to the mayors of the *other Eichsfeld towns,* but we never got an answer. Then I found out that they'd only reply when we recognised East Germany officially."

In many ways human contacts have become easier since the opening of the border point at Duderstadt for mainly local traffic under the 1973 basic treaty between the two Germanys. Relatives can now meet.

West Germans, assuming they are granted a visa, can cross over nine times every three months. Border controls have been speeded up, taking around 20 minutes on average. Since 1983 visitors can also spend the night "over there," as the closed world across the frontier is invariably described.

On the border itself, only the swish of an odd vehicle through the slush breaks the silence on a snowy winter morning. "They have 40 people there at any one time, we just have five or six on this side," Mr Schneemann says. At 12 noon four grey-coated soldiers march in line *to relieve an* earlier shift at the nearest guardhouse to the border.

Administrative contact between the two *border posts is* limited to a telephone conversation between 8 and 9 am each *morning. Personal greetings are* shunned; dealings are as cold and perfunctory as in the case of the Duderstadt cows.

Outside, a bus carrying a dozen or so elderly West Germans goes through on its way east. There are 10 such every weekday, introduced to help families keep up ties. The fare is DM 1.20 (32p). Traffic in the other direction is also mostly old people: only pensioners can easily travel from East Germany.

Last year there were 31,360 crossings by East Germans at Duderstadt. Twice a year they can claim DM 55 of "welcoming money" from the West German authorities, to buy the lesser luxuries of life, often unobtainable at home.

There are very few less orthodox transits. Some years ago a young East German made it over the fence, despite being wounded by the automatic firing *devices.* He was rescued by West German farmers and recovered in the Duderstadt hospital.

*Despite the steadily increas*ing number of visits, only five East Germans have sought asylum (automatically granted) *in Duderstadt* in the 12 years the border crossing has been open.

Some 20 *miles* south west along the border the story is similar. Mr Detlev Flechtner and his wife Antoinette have a 180 hectare farm *beside* the frontier. The 900-year-old farmstead, a local office of the Prussian administrators before 1918, was part of the Russian occupation zone in 1945, and briefly home of the local Soviet Kommandant, before a Major Perkins persuaded him to permit the building to be reunited with the estate in the adjoining British zone.

About half a mile away as the crow flies is the East German village of Kirchgandern, its church steeple jutting above the wall which provides an additional barrier, to go with the fence, the lights and a guard-dog run.

Four decades ago, it was almost one with the village of Niedergandern. But Niedergandern today is in West Germany: "We've never *been to* Kirchganden and know hardly anything about it," the Flechtners say. "It's even off limits for most *East Germans,* who can't go near the border in this area without special authorisation."

Sometimes, word *does get* through *from the other side,* literally through unofficial channels. The East Germans have not yet entirely stifled communication by *messages in* bottles thrown into the river Leine which runs along the border near Niedergandern. Some are understandably anonymous: "Best wishes from prison," one said.

A year ago, the Flechtner's daughter found another, perhaps even more poignant. "How are you," it asked, "is there snow with you like here?"

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S. Africa drops treason charges against twelve

BY ANTHONY ROBINSON IN JOHANNESBURG

TREASON charges against 12 of 16 prominent members of the anti-apartheid United Democratic Front (UDF) were withdrawn yesterday, seven months after the start of South Africa's most important treason trial for 20 years. All 16 had been accused of "furthering the aims of a revolutionary alliance."

Mr Mike Kimber, the Attorney General of Natal, after announcing the prosecution's decision, said that the case against the four remaining accused, all members of the South African Allied Workers' Union, would continue in the Pietermaritzburg Supreme Court.

The Pietermaritzburg trial is the most important treason case since the Rivonia trial of African National Congress activists which ended in 1961 with the acquital of all those charged after a five-year court battle.

Yesterday's decision to drop charges against the 12, who include two UDF presidents, Mr Archie Gumede and Mrs Albertina Sisulu, wife of African National Congress (ANC) executive Mr Walter Sisulu, who was jailed with ANC leader Mr Nelson Mandela in 1964, follows weeks of cross questioning by defence attorneys which revealed several weaknesses in the case for the prosecution.

Last week the prosecution admitted that it had changed the dates on certain evidence brought before the court. The trial, presided over by Judge John Milne, Judge President of Natal, was also adjourned three times last week while Mr Isaak de Vries, an "expert" state witness was giving evidence about alleged revolutionary literature. Under questioning by Mr Ismail Mahomed, a defence counsel, Mr de Vries admitted he had made "fundamental mistakes" in his evidence that could have misled the court.

The trial began on May 20 when the state presented a 600 page indictment for the common law crime of treason and alternative charges under the country's wide ranging internal security laws. Five of the 16 accused had earlier taken part in the three month occupation of the British Consulate in Durban.

The indictment was based mainly on speeches made by the accused over the previous four years, including speeches against the tri-cameral constitution introduced in September 1984.

The trial was expected to last for at least 18 months and strict bail terms were applied which effectively barred the 16 from taking part in political life. As such it was seen as part of a broader strategy by the Government to muzzle the UDF

● Two black gold miners were killed, 30 wounded and 41 arrested in a violent clash between miners returning from a union meeting and a combined police and army patrol outside the Rand Ontein estates mine, owned by Johannesburg Consolidated Investments (JCI), at Westonareia, west of Johannesburg on Sunday.

The National Union of Miners (NUM) said 3,000 miners refused to go down the mine yesterday in protest. The company said only 1,500 union members had refused to go to work and would be warned of possible dismissal if they failed to return to work today.

Iraq attacks Iran army near border

By Roger Matthews, Middle East Editor

IRAQ launched heavy air attacks on Iranian troop concentrations in the southern sector of the Gulf War battlefront yesterday in an attempt to disrupt preparations for a further cross-border offensive.

Tens of thousands of Iranian volunteers and revolutionary guards have been reinforcing regular army positions opposite the Howeizah marshes where the last offensive was launched earlier this year.

Col Sayyed Shirazi, the commander of Iranian land forces, confirmed 10 days ago that an attack was being planned but indicated that it would not be the major offensive "which would decide the fate of the war."

He stressed the advantage of limited attacks which "maintain the tempo of battle, keep the enemy on the move and inflict damage on its forces."

The Howeizah marshes, where Iraq's superiority in armour can less easily be deployed, are well suited to harrying attacks by waterborne troops.

If Iran goes ahead with its planned offensive it can expect further retaliation against its Kharg Island oil export terminal and perhaps a resumption of air attacks on its major cities.

The increased tempo of the five-year war has come despite attempts by Arab Gulf countries to develop a dialogue with Tehran. Mr Ali Akbar Velayati, the Iranian Foreign Minister, has just completed talks in Riyadh with King Fahd of Saudi Arabia, the first meeting of its kind since the 1979 revolution which deposed the Shah.

Saudi Arabia continues to be Iraq's principal financial backer but is concerned about the dangers of the war widening if Iran's oil exports are seriously disrupted.

Sudan ruler in debt talks with Fahd

By John Murray Brown in Khartoum

SUDAN'S MILITARY leader Gen Abdul Rahman Swareddahab left yesterday for Saudi Arabia for talks with King Fahd which observers believe will concentrate on resolving Sudan's debt crisis.

Saudi Arabia is the country's largest bilateral donor. Sudan's external debt to governments and commercial banks stands at $9bn (£6.2bn) and arrears payments owed to the International Monetary Fund exceed $180m.

The general's unscheduled visit follows the failure of Mr Abdel Magied, Sudan's Finance Minister, to win cabinet approval for a package of economic reforms agreed with the IMF. One press report said the 13-man civilian cabinet voted 10 to three against the proposals. Mr Magied reportedly offered to resign.

An agreement with the IMF would be the first step towards rescheduling of Sudan's debt, which has steadily grown since the Government came to power in April after President Jaffar Numeiri was ousted in a coup.

Mr Magied also offered to resign in July after the unions said his economic policies were too conciliatory to the IMF. Dr Gizouli Dafalla, Prime Minister, supported the unions but the Finance Minister's resignation was rejected.

The current crisis comes only four weeks after the IMF extended the country's grace period for repayment of arrears to the fund for the fourth successive time. Settlement of arrears is normally a precondition to any IMF agreement.

The next meeting of the fund is set for early January by which time the arrears will have reached $230m.

UAE council of rulers fails to convene meeting

BY KATHY EVANS IN ABU DHABI

THE United Arab Emirates supreme council of rulers, the country's ultimate governing body, failed to convene its scheduled meeting yesterday in Abu Dhabi. No explanation was given by government officials.

It was the third time this year that the supreme council has postponed a meeting at the last minute. No agenda was published but it is thought that the rulers would concentrate on the financing of the federal government, whose 1985 budget has yet to be approved.

Another expected agenda item was the formulation of a permanent constitution for the country. For the last 14 years, the UAE has been governed by a temporary constitution and citizens are concerned that the Sheikhs may simply ratify the temporary code without considering demands for widening democracy.

In the last few days, a local newspaper, Al Khaleej of Sharjah, has been carrying comments from UAE nationals calling for elections to strengthen the powers of the Federal National Council, whose members are appointed by sheikhs.

Some have even questioned the right of sheikhs to decide on the constitution given the absence of an elected legislative body.

The leading sheikhs are holding continuous consultations on economic problems, say government officials. Among moves already decided was the appointment of a board of directors for the central bank. The previous board of directors and Mr Abdul Malik al Hamr, the governor, were reappointed for four years.

The appointment of a board of directors will provide the central bank with a legal mechanism to approve mergers among UAE banks. For the past 11 months the institution has lacked a board which has prevented the publication of its 1984 figures until recently.

David Dodwell reports on the problems facing the Peking official due to arrive in the territory today

Cloud of worry over Hong Kong visit

JI PENGFEI, China's 76-year-old State Councillor with responsibility for Hong Kong and Macao affairs, arrives today in a city more troubled by political worries than at any time in the past year. His visit is the first to Hong Kong by such a senior Chinese.

Hong Kong officials hope it will be the first of many, and that suspicion will be gradually reduced over British actions in the territory, and that Peking's awareness of what makes Hong Kong tick will improve.

There are fears, however, that in the wake of recent, increasingly specific, warnings over the pace and direction of political change, it will be used to reiterate China's concerns.

Recent veiled comments by Ji himself, and in particular a controversial speech by Xu Jiatun, the head of the New China News Agency in Hong Kong and the most senior Chinese official in the territory, have raised questions over Peking's willingness to allow Hong Kong the autonomy promised in the Sino-British joint declaration signed in December last year.

Xu's concern about political reforms in Hong Kong, and remarks that unnamed parties have deviated from the letter and spirit of the agreement on Hong Kong's future, were taken as a warning to the British colonial administration, and to the motley group of political

Ji Pengfei: concerned about political reforms

activists who are pressing for more democracy.

In his speech, Xu called on the colonial administration to keep Peking fully informed on what it is doing, and why, in the difficult period of transition from British colonial rule to Chinese sovereignty.

He reminded officials that under the Sino-British agreement the Basic Law, due to be drafted by China by 1990, will provide the political blueprint for Hong Kong after 1997. Political changes now being orchestrated by the Hong Kong Government will hopefully dovetail smoothly into the Basic Law.

Unhappily, demands that political reforms should be stalled until the Basic Law is in place, and more specifically that a political review planned for 1987 should be postponed, were seen by Hong Kong people and the press as premature attempts to interfere in Hong Kong's internal affairs.

Warnings that Hong Kong could never hope to be independent were accurate in fact, but sat uneasily with the more comforting promises under the Sino-British agreement that the special administrative region set up after 1997 would be given "a high degree of autonomy," and that Hong Kong people would rule Hong Kong.

Xu's speech raised wider questions of how Peking plans to interpret the carefully worded joint declaration. The spirit of the declaration, Peking promised, would be embodied in the Basic Law.

A lonely voice of protest has been that of barrister Mr Martin Lee, who was elected to the Legislative Council last September. He has argued that many Hong Kong people remain suspicious of China after having fled from violence inside the country over the past 40 years, and are uncertain whether the radical and untested idea of "one country, two systems," the basis on which Hong Kong is being reintegrated with China, can work.

He recalls the way in which Hong Kong views on the Sino-British agreement were assessed in autumn last year. Many views came forward only when explicit guarantees of confidentiality were given.

He says Hong Kong people need constitutional assurances if they are to remain confident about their future, and that democratic elections are essential checks against the possible abuse of power. He wants them in place before 1990 because of fears that Chinese definitions of democracy to be embodied in the Basic Law may not coincide with Western ideas of democracy.

The Hong Kong Government, which has disappointed many by refusing to comment on Xu's remarks or to provide assurances on Britain's commitment to govern in the broadest sense up to 1997, insists that political reforms have been cautious, and clearly signalled.

A White Paper on political reform published in autumn last year gave a commitment to "develop progressively a system of government the authority for which is firmly rooted in Hong Kong, which is able to represent authoritatively the views of the people of Hong Kong and which is more directly accountable to the people of Hong Kong."

Indirect elections in September for a minority of seats in the Legislative Council were no more than an embodiment of that commitment, officials say.

The White Paper nevertheless concluded: "There was strong public support for the idea of direct elections, but little support for such elections in the immediate future." It concluded that a review in 1987 was essential.

With this response in view, the most serious threat in Xu's remarks is the challenge to the Hong Kong Government's claim to be able to interpret accurately the views of Hong Kong people.

Peking has established a 180-member Basic Law Consultative Committee in Hong Kong which has the explicit job of telling Peking what local people think about plans for the future. If the Hong Kong Government comes to the conclusion after its political review in 1987 that there is a strong demand for direct elections and the Basic Law Consultative Committee tells Peking that the Hong Kong Government has got it wrong, the colonial administration will be under immense pressure from Peking to think again.

It is not yet clear how the Government will convince Peking, in the event of such a difference of views, that its own opinion-gathering methods are more trustworthy than those that is something Governor Sir being used by Peking.

Political points at issue

THE following is the text of various statements made on the issue of Hong Kong's future:

● **"Current social and economic systems in Hong Kong will remain unchanged, and so will the lifestyle, rights and freedoms, including those of the person, of speech, of the press, of assembly, of association, of travel, of movement, of correspondence, of strike, of choice of occupation, of academic research and of religious belief, will be ensured by law."—Sino-British joint declaration on the question of Hong Kong, December, 1984.**

● **"The socialist system and socialist policies shall not be practiced in the Hong Kong special administrative region, and Hong Kong's previous capitalist system and lifestyle shall remain unchanged for 50 years."—Joint declaration, annexe 1.**

● **"The legislature of the Hong Kong special administrative region shall be constituted by elections. The executive authorities shall abide by the law and shall be accountable to the legislature." — Joint declaration, annexe.**

Budget reform 'will not achieve deficit reduction

BY STEWART FLEMING IN WASHINGTON

REPRESENTATIVE William Gray, chairman of the House budget committee, said yesterday the Gramm-Rudman budget reform plan now moving through Congress will not achieve its goal of eliminating the Federal budget deficit by 1991 and called for increased taxes to cut the deficit.

Mr Gray's remarks came on the day when radical reform of the Congressional budget process was expected to begin moving rapidly towards presidential approval. A conference committee of the House and the Senate was scheduled to settle the final details of the plan late yesterday afternoon.

Senator Robert Dole, the Republican majority leader of the Senate, said that he was confident the measure would clear the Senate and added that he had heard nothing to suggest that President Reagan would veto the Bill. He warned, however, that because of the complexity of the legislation, it might be better for Congress to pass another temporary increase in the Federal debt ceiling so that the Federal Government can continue to finance itself after Wednesday night when the current debt ceiling limit expires.

The budget reform Bill is tied to the Federal debt ceiling legislation.

Mr Gray, speaking at a conference in *Philadelphia* organised by the Global Interdependent Centre, said that budget deficit reduction targets in the Gramm-Rudman Bill were based on over-optimistic assumptions that the US economy would continue to grow steadily, until 1991 — a time scale which would imply nine years of sustained economic growth since the economic recovery began in 1982.

He said that the budget committee staff had been examining ideas such as an oil import fee, a gasoline tax or a form of value added tax which, if dedicated to deficit reduction and linked to a programme of government spending cuts, could eliminate the budget deficit by 1989.

Reagan steps up campaign for tax reform legislation

BY REGINALD DALE, US EDITOR, IN WASHINGTON

PRESIDENT Ronald Reagan yesterday launched a high-pressure lobbying campaign to keep hopes alive of a major reform of the US tax system, his main domestic policy objective *for his second term in the* White House.

With a key vote expected in the House of Representatives later this week, Mr Reagan wrote to all 435 House members urging them to vote for tax reform legislation, even if it meant supporting Democratic proposals to which many Republicans have strong objections.

If some form of legislation did not clear the Democrat-controlled House in the coming days, tax reform "may be dead for several years," Mr Reagan warned. He called on the minority House Republicans to support the Democrats' plan, in the likely event that a Republican alternative fails, so that the Bill could be sent on for improvement by the Republican-controlled Senate.

Most of the House Republican *leadership has come out* strongly against the Democrats' proposal, worked out by Mr Dan Rostenkowski, the chairman of the House ways and means committee. The proposal would raise more money from business and wealthy individuals than Mr Reagan's original plan and maintain some of the tax exemptions that Mr Reagan wanted to eliminate.

Mr Reagan, however, believes that it will be impossible to resuscitate tax reform if a Bill does not go through the House before the Christmas recess, which is due to start at the end of this week or early next.

Guatemala set to elect Cerezo as President

By David Gardner in Mexico City

MR VINICIO CEREZO, Guatemala's Christian Democrat leader who has survived three attempts on his life under successive military dictatorships, was yesterday heading for a landslide victory in the run-off election for the country's presidency.

Mr Cerezo, an ebullient 42-year-old lawyer, had just over *67 per cent of the vote against* just under 33 per cent for his rival, the right-wing newspaper publisher, Mr Jorge Carpio.

Official results were not expected until late yesterday, but the centre-right Christian Democrats have deep roots in the rural constituencies still to report and, if anything, Mr Cerezo could increase his tally.

Turnout was clearly down on the first round of voting on November 3, when nearly 800,000 of Guatemala's 2.75m voters stayed away from the polls and a further 200,000 cast blank or spoiled ballots.

Mr Cerezo polled 40 per cent on that occasion, Mr Carpio trailed with 21 per cent. No candidate, therefore, got the more than 50 per cent required by law. Despite this margin and even though the Christian Democrats won an overall majority in Congress, Mr Carpio *insisted that he could rally the* far right in the second round and refused to withdraw.

In the event the traditionally powerful far right, which has underpinned 18 military governments in Guatemala since the 1954 CIA-organised coup which toppled the reformist regime of President Jacobo Arbenz, felt greater distaste for Mr Carpio's watered-down neo-conservatism than Mr Cerezo's mild reformism.

Mr Cerezo, conscious of the need not to antagonise the still firmly entranched military, has said he will pursue "a minimum programme" of pragmatic reform to consolidate democracy. His priorities are to revive a prostrate economy which will end 1985 with its fifth straight year of falling per capta growth, and to bring to an end the endemic violence which has claimed so far 100,000 lives over the last two decades.

Mr Cerezo hopes for a substantial injection of US aid when stantial injection of US aid when he takes over

Yesterday's election result was a foregone conclusion, reports **Canute James**

Guyana succumbs to cynicism and apathy

FEW OF the 370,000 people entitled to vote in yesterday's general election in Guyana will have done so with much faith in their ability to change the 21-year rule of the ruling People's National Congress.

Even fewer would entertain any real hopes that the Government of President Desmond Hoyte would be able or even willing to bring an end to the years of mismanagement which has left the economy and the political image of the country in tatters.

Even Guyana's neighbours in the *English-speaking caribbean* regard the country as a pariah towards which they can be no more than barely tolerant.

Cynicism was widespread during campaigning for the election —or "selection" as Opposition parties described the exercise. The Marxist People's Progressive Party (PPP) and the Socialist Working People's Alliance (WPA) conceded defeat before the first votes cast, declaring that their attempts to get Mr Hoyte to bring some credibility to the electoral system had been in vain.

Guyana's foreign and local critics have never given the ruling party high marks for electoral propriety. Under Mr Forbes Burnham, the PNC's founder and former President who died in August, charges of fraud were frequent.

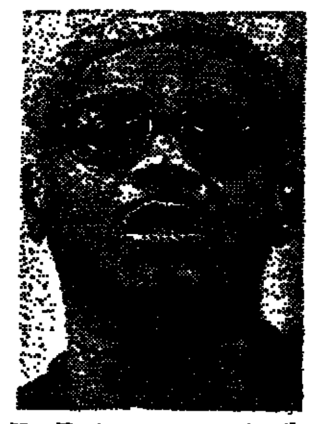
Mr Hoyte attempted to meet the *criticism with cosmetic* changes to the system of proxy and overseas voting, but has been inflexible in denying entry to foreign observers to test the poll's fairness. Some Western journalists who attempted to cover the election were refused entry to the country.

"The record of Guyana's elections from 1968 onwards *has been appalling*," according to a erport on the country recently compiled by the British Parliamentary Human Rights Group and the US-based America Watch organisation. "Despite the (ruling) People's National Congress's protestations to the contrary, the evidence for massive rigging and widespread abuse before, during and after elections is enormous. As the international team of observers concluded in its report on the 1980 election, 'the scale of the fraud (has) made it impossible to conceal either from the Guyanese public or the *outside* world'."

Dr Cheddi Jagan, a former Premier and leader of the PPP, is convinced the election was not fair. "We are fighting to make them so, but they are not going to be free and fair," he said before yesterday's voting.

The Government has done little to mollify those who were concerned at the system under which ballot boxes were taken from polling stations to a central office for counting. "We do not know what happens to the boxes on the way," a WPA representative said.

Mr Hoyte bears the stigma of being *Mr Burnham's hand-picked* successor, and his ability to shed the characteristics of Mr Burnham's regime appears to be limited.



Mr Hoyte, successor to the late Dr Burnham

The dream of fashioning a "co-operative socialist republic" in the sprawling republic of 900,000 people long ago fell victim to the desire of the ruling party to establish control over all aspects of Guyana's life.

In their campaigning, half-hearted as it was, the opposition parties asked their supporters not to allow the race issue to influence their vote. But race is an inescapable factor in Guyanese politics, and one which the PNC has not been reluctant to use in the past.

The ruling party draws its support from and dispenses favours to mainly Afro-Guyanese, while the PPP is supported primarily by the Indo-Guyanese community. Hope of bridging the racial divide flickered briefly when the PNC and the PPP showed some interest in a unified, broad-based government. But Mr Hoyte said recently that talks with the PPP "have not gone any great distance."

In any event, such a union could be damaging to any hope Mr Hoyte is entertaining of improved relations with the US. The Reagan Administration is likely to frown on any prospect of having to deal with an administration which includes Dr Jagan.

Relations with Washington have been strained mainly because of Guyana's increasingly close ties with Cuba and East European countries. US economic assistance, has dried up, but a State Department announcement just after Mr Burnham's death suggested that the time was ripe for mending fences.

But although a re-elected PNC might jump at the chance of better economic support, the parlous state of the economy was not a major factor in the election. Despairing Guyanese have apparently grown weary of arguing against increasing austerity in a country which is potentially among the richest in South America. The major parties are, anyway, committed to maintaining state control over the economy.

Falling production and earnings from bauxite, sugar and rice, the main export commodities, have created a chronic shortage of hard currency. Black market rates for the US dollar and over three times the official rate. The Government has refused to reduce state control so as to increase efficiency and earnings but has not flinched from imposing increasing economic austerity. Wheaten flour for making bread for instance, is among imports which are banned.

Guyana's foreign debt has reached $1.3bn, with servicing costs acounting for just under 50 per cent of export earnings. A recent World Bank report said Guyana will need an infusion of at least $730m over the next decade to enable it to recover.

Strapped for workable alternatives, the Government may therefore be forced to swallow its pride and make its peace with the International Monetary Fund (IMF) whose recommendations were described earlier this year by the late Mr Burnham as "a recipe for murder."

The Fund has declared Guayana ineligible for further assistance because it was late in repaying earlier loans, but an IMF team visited Georgetown soon after Mr Hoyte replaced Mr Burn' .m. Agreement with foreign creditors on rescheduling is likely to be dependent on an IMF deal.

Mr Hoyte has allowed an increase in private investment in the key bauxite industry, and for the first time in four years, the economy recorded real growth last year of 2 per cent, mainly the result of the 25 per cent increase in output by the bauxite industry.

Despite this, Guayan shows as much prospect of evading an economic quagmire as it does of staging an election whose fairness will be unquestioned. In any event, an election itself is unlikely to produce any change.

US investors find Jaguar a name hard to resist

BY TERRY DODSWORTH IN NEW YORK

TEN YEARS ago, in the UK motor industry's darkest hour, no one could possibly have imagined that US investors would one day catch fire over the name of a British car company. But this is exactly what has happened in the case of Jaguar. Since it was hived off from the nationalised sector, Americans have fallen in love with the shares of the small Midlands-based luxury car group and they are now buying its stock with an enthusiasm which threatens to eclipse its avid UK following.

The strength of US sentiment for Jaguar was evident as soon as the company was privatised 18 months ago and the excitement became even more apparent when the shares began to trade in the US six months later as American Depository Receipts (ADRs) — a mechanism for dealing in foreign shares in America. Interest has increased still more since mid-November when the ADRs were accepted for listing on the National Association of Security Dealers over-the-counter market, Nasdaq an electronic exchange generally featuring smaller newly floated public companies.

In the wake of the listing Jaguar has repeatedly featured among Nasdaq's volume leaders, heading the chart one day last week with almost 1.9m shares changing hands

US analysts believe that part of the reason for this buoyant performance is a technical one. With 180m shares in issue, all of which could theoretically could be converted to ADRs, Jaguar is a very liquid stock by Nasdaq standards. Big institutional investors can therefore move into the shares without fear of being locked in. At the same time, it is an easy stock for smaller investors to purchase as well, since the price of an ADR share which is converted directly from a UK share on a one-for-one basis, is only around $5. Typically, US shares are much more highly priced.

More importantly, Jaguar is a glamour stock with a direct appeal to the young professionals and entrepreneurs who provide the main market for fast European luxury cars.

"For retail salesmen in equities, Jaguar is the kind of story with something behind it," says Mr Thomas Lent of Prudential-Bache, the New York Securities firm.

Mr Lent believes that if Jaguar manages the launch of its long-promised XJ40 model smoothly, the ADR shares have the potential to go to $7 against only $2.65 when they were first issued a year ago

To achieve that, Jaguar will have to avoid those once familiar problematical UK new car launches. US investors may be enthusiasts and adore winners, but they hate losers and know a sell sign when they see it.

THE GLENLIVET — DENIED BY THE KING

In the early 1800's, denying the existence of distilleries was a national Scottish pastime.

Oh, they were there, alright. But all strictly illegal. You see, savage taxes imposed by the Philistines of Westminster made distilling the national beverage well nigh impossible.

Tax evasion became the only honourable course. The canny Highlanders took to the hills and the glens.

A whole industry flourished. But it was completely underground. Excisemen, or gaugers, marched North, with orders to stamp it out.

The Artful Dodgers.

But it proved a hopeless task. All measures to deter the distillers were met with ridicule.

Even a £5 reward for the discovery of a distilling pipe (or copper "worm") did nothing to halt the flow of whisky. In fact it was a boon for the whisky makers.

When a "worm" was worn out, the distiller would miraculously "find" it, hand it over to the authorities, claim his reward and promptly purchase a new one!

Such was the Highlanders' contempt for the law that it was not even considered a disgrace to be imprisoned for illicit distilling.

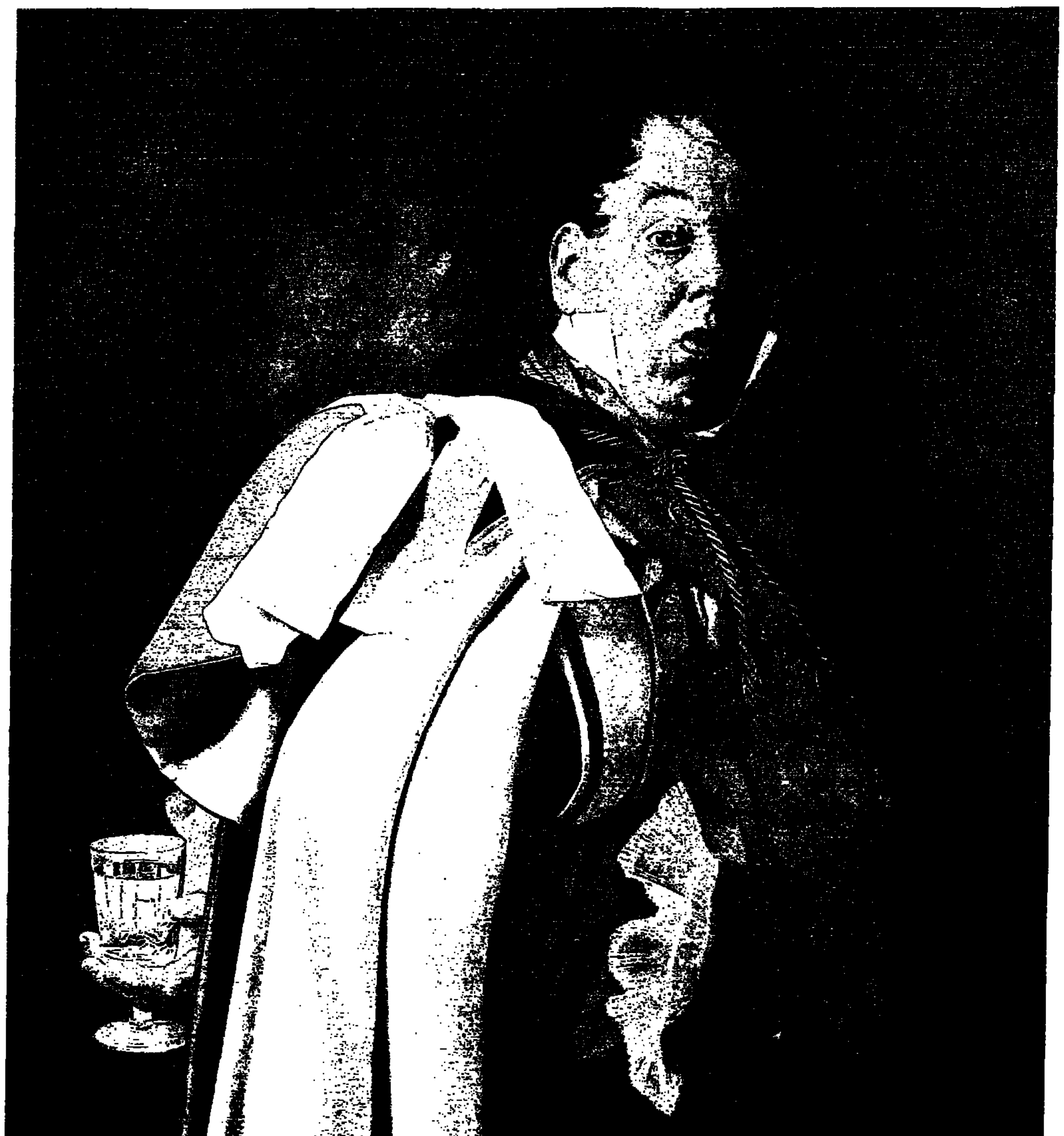
Indeed, in Dingwall Gaol offenders were treated in the mildest possible way, even allowed out on Sundays and special occasions and "honourably returned."

One prisoner even approached the governor with the remarkable proposition that they set up a still together in the gaol!

But out of this lawlessness came greatness. The illicit dram was magnificent.

The Reverend Thomas Guthrie was a boy in 1818 and he recalled that "everybody, with few exceptions, drank what was in reality illicit whisky — far superior to that made under the eye of the Excise — lords, lairds, members of Parliament and ministers of the gospel and everybody else."

And the finest dram of them all was The Glenlivet.



"Glenlivet Distillery? What Glenlivet Distillery?"

The Sassenach Connection.

The Glenlivet distillery was started by one John Gow. Alias Smith.

Bit of a mystery, John Gow. Indeed he had very little option.

Having fought and lost with Bonnie Prince Charlie, he had to flee with his family in 1746 to the remote glen of the river Livet.

And to baffle the English soldiers, he changed his name from the gaelic Gow to Smith.

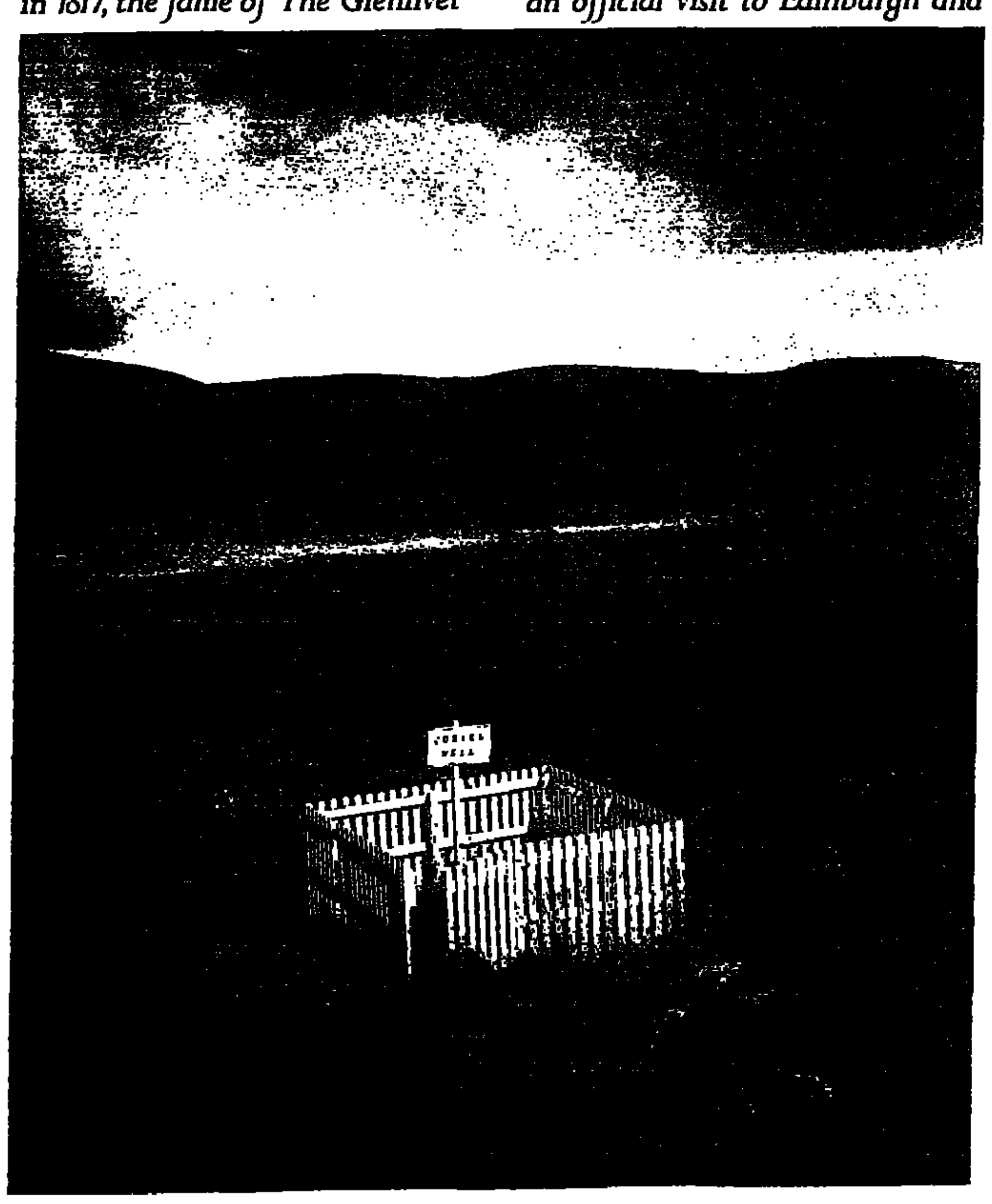
This is why such a Sassenach name as Smith appears on the bottle of Scotland's most venerated whisky.

There in the glen John Smith, ex-Gow, settled in the precise spot where the water and the peat were the best in all Scotland for making malt whisky. This mysterious man had stumbled upon a mysterious well. Josie's Well.

It's the water from this well that makes The Glenlivet magical. We can't tell you why. There is no explanation. And there is no other well that performs the same magic.

By the time John Smith's grandson George inherited the still in 1817, the fame of The Glenlivet had spread far and wide.

"It is worth all the wines of France" opined the Doctor in Sir Walter Scott's St. Ronan's Well, "and more cordial to the system besides."



His Majesty's Pleasure.

The Glenlivet that George Smith made even flowed in the corridors of power.

In 1822 King George IV paid an official visit to Edinburgh and Elizabeth Grant, an MP's daughter, wrote about it in her memoirs: "One incident connected with this time made me very cross. Lord Conyingham, the Chamberlain, was looking everywhere for the pure Glenlivet whisky: the King drank nothing else.

My father sent word to me — I was the cellarer — to empty my pet bin, where whisky was long in the wood, mild as milk and the true contraband goût in it."

Such a princely potion couldn't stay illegal much longer. It was unthinkable that the King should ever have to deny that his greatest pleasure didn't actually exist!

Luckily, back at the House of Lords, commonsense was about to break out, under the influence of George Smith's landlord, the Duke of Richmond and Gordon.

In 1823, their Lordships passed an act which made distilling a commercial proposition.

And the first man to take out a licence was our own George Smith.

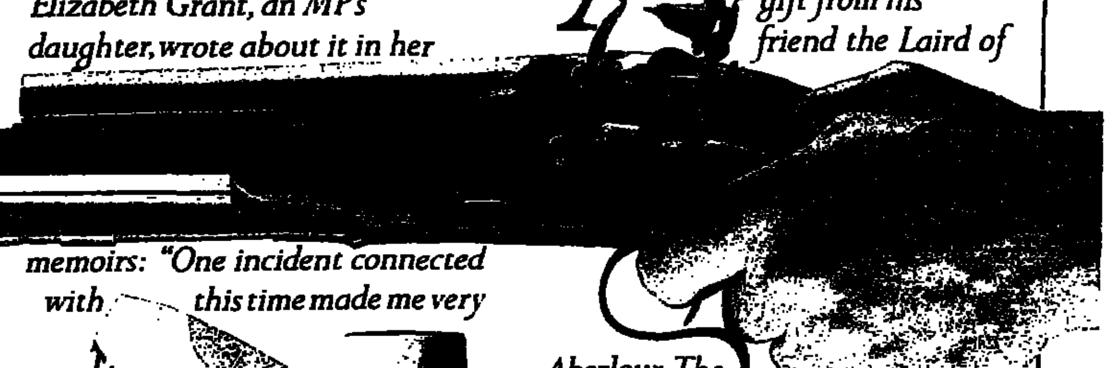
Plain sailing from then on you'd think. Nothing of the sort.

The neighbours' burning desire.

Although George had decided to go legal, his neighbours in the glen would have none of it. They regarded him as a traitor.

"The outlook was an ugly one," wrote George. "I was warned by my civil neighbours that they meant to burn the new distillery to the ground and me in the heart of it."

Such threats in the wild remoteness of Glenlivet were not idle. So for his protection, George was presented with a pair of hair trigger pistols, worth ten guineas, a gift from his friend the Laird of Aberlour. The pistols (which still exist today) were "never out of my belt for years.



I got together two or three stout fellows for servants and through watching by turns every night for years we contrived to save the distillery."

And with it, they saved The Glenlivet.

For which we must all be thankful.

For it truly is the benchmark for malt whisky.

The "Grandfather of Scotch."

Scotland's first malt whisky.

TECHNOLOGY

EDITED BY ALAN CANE

Engineers believe coal-water slurries could be fuel of the future. **Peter Marsh** reports.

Burning desire to study combustion

PICTURE A stream of tiny balls shot from a nozzle at 180 kph, split into pieces by streams of high-pressure air or steam and set alight. That is a simplified description of what happens in the burners that power oil-fired power stations or industrial boilers.

The oil droplets are broken up into particles perhaps 50 microns across. The particles are channelled in specific directions by other streams of air and ignited to produce a flame that burns at up to 1,700 deg C.

Engineers round the world are investigating the combustion process more closely than before. A key desire is to learn more about the fundamentals of combustion to prepare for burning in power stations and industrial boilers coal-water slurries, heralded for many years as the "fuel of the future" which could replace oil firing in many plants.

Other aims are to increase the efficiency of the burning process or to reduce emissions of such gases as nitrogen oxide.

Most of the attention given to slurries has concentrated on converting existing oil-fired plants to run on coal-water mixtures. The latter can be pumped to a power station or factory in a similar way as oil. Slurries appear more promising than pulverised coal, the other main alternative fuel, on account of lower transportation costs and cleaner burning.

A recent report on slurries from the International Energy Agency says governments and the energy industry have spent

> Governments and the energy industry have spent $100m in the past five years on research connected with burning slurries

$100m in the past five years on research connected with burning slurries. The sum could be doubled in the next five years if the building of large-scale plants proceeds.

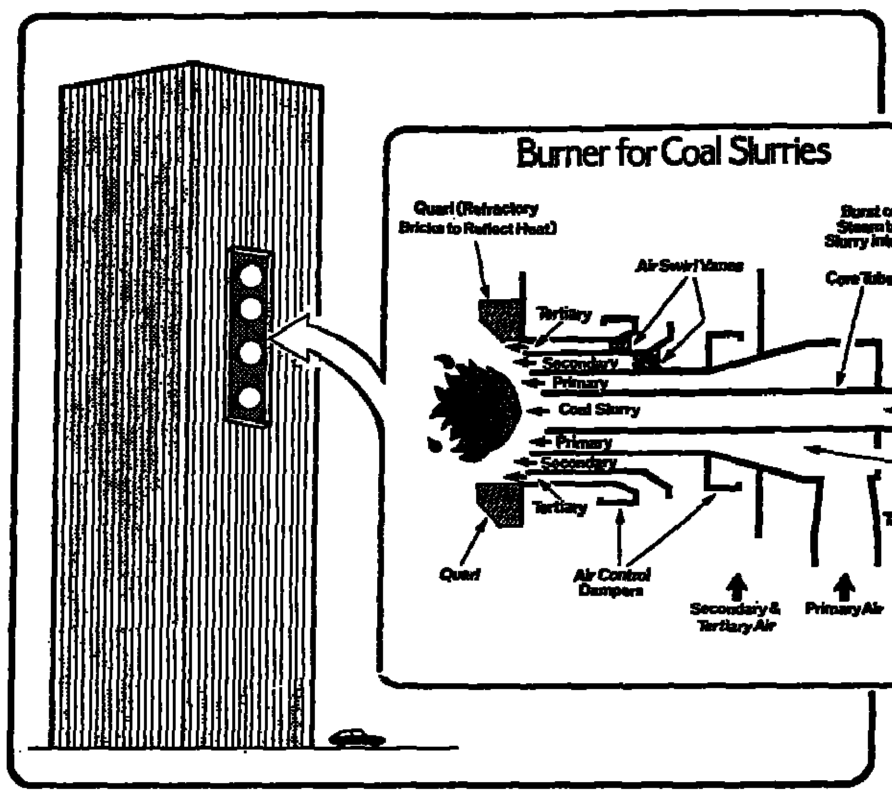
On economic grounds, converting oil-fired plants to slurries is often justified, says the report, although the costs of the initial adaptations may be high. It says that about 10 per cent of the developed world's plant that burns heavy fuel oil could be converted to run on slurries.

Converting oil-fired plant to coal slurries appears reasonably easy; both fuels are liquids and burning the sustances involves the same chemical reaction—converting carbon into gaseous products with the emission of heat.

But here the similarities end. A coal slurry mixture normally burns less easily than oil; the flame is bigger and less hot. As a result, a boiler converted from oil to run on slurry may produce 30 per cent less energy.

Thus to convert an oil-fired boiler to one which runs on a slurry, an engineer has to ensure that as much as possible of the carbon in the coal is burnt. This entails methods to impart "swirl" to the flame to circulate a large amount of heat and so ensure complete combustion.

The swirl, imparted by one or sometimes two jets of air, produces a series of spiral gas eddies. By varying the swirl, with the help of vanes and other devices that influence the direction of the jets, engineers can change the shape of the flame.



Diagrammatic representation of a slurry-fired boiler

Swirl techniques are also useful in controlling the flame shape. In converting an oil-fired station to slurries, an engineer must be careful that the larger flame produced by coal does not harm the walls of the combustion chamber.

The chambers of power stations may be up to 20m square and 100m high. They contain up to 20 or 30 separate nozzles for fuel jets, either embedded in a single wall or built into a corner.

Other aims of engineers involved in work on coal slurries are to break up the droplets in the mixture using "atomisers," shafts of air or steam. This is to ensure the particles are small enough to burn effectively.

The workers may also build on to the burner nozzles blocks of refractory material called quarls. These reflect heat into the fuel as it spurts out of the nozzle, so increasing its temperature and the combustion efficiency.

An important part of combustion engineering is to design boilers that emit lower volumes of nitrogen oxides, such as nitrous oxide, which are a source of pollution. By varying the flame shape and changing the temperatures of different areas, engineers can reduce these emissions. A long thin flame rather than a short bushy one will, in general, produce lower levels of these oxides.

Pilot electricity generating plants based on slurries are in operation in several conutries, for instance at the University of Lund in Sweden. The Canadian government is supporting trials at Charlottetown, Prince Edward Island, and Chatham, New Brunswick.

Several US electricity utilities are involved in similar work. Earlier this year, the US Electric Power Research Unit organised a series of tests, known as the "big burner shoot-out" in which four of the world's leading boiler manufacturers tried out new designs aimed at demonstrating slurry-mixture tetchnologies.

The four companies were Foster, Wheeler, Combustion Engineering and Babcock and Wilcox, all of the US, and NEI International Combusition, based in Derby, Britain.

NEI is engaged in an intensive programme of research into all aspects of burner design, both for oil and coal mixtures, using a recently completed test rig at Derby.

The rig, converted from an existing burner facility at a cost of £2m, shoots flames from a variety of burner designs along a cavernous chamber 6m square and 20m long, the biggest test chamber of its type in the western world.

For different burner designs, engineers measure factors such as temperature and droplet size at different points in the flame. Mr Jim Symmons, director of process plant at NEI International Combustion, says this helps researchers to optimise designs before sales to customers.

NEI has recently won contracts worth $2.2m from the Florida Power and Light Company in the US to design boilers that will produce low levels of nitrogen oxides to meet pollution requirements. The company is also working for the Central Electricity Generating Board on designs to reduce emissions of these gases in UK power stations.

Work in test rigs such as at Derby is increasingly being complemented by computer simulations in which the shapes and temperatures of flames are worked out with special software programs. This enables researchers to examine the consequences of changing particular aspects concerning a burner's design without leaving their computer laboratories.

Economic arguments for slurries weaken

COAL SLURRIES normally contain about 70 per cent by weight of coal, 1 per cent or less of additives, with water comprising the rest. They are normally produced in a separate operation away from the factory or power station and either pumped or transported to the site.

The economic arguments for turning to coal have been diluted by the drop in oil prices of recent years, but an International Energy Agency report says coal-water mixtures can produce a gigajoule of energy for $3.6, compared with $4.5-$5.0 for heavy fuel oil.

Whether operators of oil-fired plant swing over to slurries depends on future fuel prices and the, by no means inconsiderable, costs of conversion. The IEA report, says that to convert a 2,000 Mw oil-fired power station to run on a coal mixture would cost $70m-$150m. Costs for smaller plants would be proportionately lower.

Nonetheless, the report states the potential market for replacement of oil firing with slurry mixtures is significant, particularly in power stations.

The principal developed nations consume about 120m tonnes of heavy fuel oil a year in electricity generation. Roughly 7 per cent of this capacity could be converted to use slurries, says the IEA, with the main markets in the US, Canada, Italy and Japan.

Economic Potential of Coal Water Mixtures, International Energy Agency Coal Research, 14 Lower Grosvenor Place, London SW1 0EX.

Fireball on trial at Fiddler's Ferry

Maurice Samuelson on an experiment aimed at cutting noxious emissions from coal-fired power stations

BRITAIN'S ELECTRICITY supply industry has begun the first of a series of experiments at coal-fired power stations aimed at cutting the output of nitrogen oxides (NOx), which produce ozone, one of the suspected causes of acid rain damage to continental forests.

New low-NOx burners have been fitted in one of the boilers at the 2,000 MW Fiddler's Ferry power station, near Liverpool, in a trial expected to cost some £2.5m. Next year, it plans a similar project at Eggborough, Yorkshire, to be followed by further work at one or two more power stations.

Launching the trial, Lord Marshall, Central Electricity Generating Board chairman, linked it with his view that acid rain damage to forests might be due more to ozone than to sulphur dioxide, the other main power station pollutant, which in the past has been regarded as the main culprit.

He added that it would enable the board to reduce its NOx emissions if parallel research showed this would lower the ozone levels far away from the power stations and reduce forest damage.

The work is to be carried out at several sites because of the different configurations of their respective boilers.

The boilers themselves are steel boxes as big as a multi-storey building, lined by miles of tubing which circulate the water to be heated as steam for the turbines.

NOx is formed in the boilers as a result of the delicate mixture of finely powdered coal and air which produce a fireball of up to 1,600 deg C. Most of the nitrogen in the fuel is oxidised to NOx, which is then released into the atmosphere.

It is possible to reduce NOx formations by withholding some of the oxygen in the secondary air supply, thus allowing the nitrogen in the fuel to form pure nitrogen gas, which exists naturally in the atmosphere.

This is achieved by introducing the air into the boiler further away from the fuel, or at a later stage, resulting in a bigger, but less hot, flame.

The board is to try this at three or four of its power stations because the boilers layout varies from one plant to another.

At Fiddler's Ferry, the 58 metre high boilers have their burners mounted vertically on each of the four corners. The trial boiler there has been modified by Northern Engineering Industries' International Combustion Division.

The effect is to divert some of the secondary air away from the coal stream, forming an air curtain around the walls and to add some of the air higher up in the boiler.

This should produce a fireball with a higher fuel: air ratio in the centre of the boiler. As a result, more of the fuel nitrogen is expected to be released as nitrogen gas rather than as NOx. Initial trials achieved NOx re-

> Lord Marshall believes acid rain damage to forests might be due more to ozone than to sulphur dioxide

ductions of about 40 per cent compared with the 30 per cent target which the board has set itself.

However, the programme could take some time to evaluate. Limiting the air input may result in incomplete and wasteful combustion of the fuel, producing smoke, causing problems with the electrostatic precipitators and the quality of the ash, which the board sells to the building industry.

The changed shape and chemical nature of the flame could also corrode the boiler tubes, accentuated by the high chlorine content of British coal.

In Eggborough and other stations, where the burners are arranged in horizontal banks on the walls of the boiler, the board plans to deflect some of the air sideways to produce a fuel-rich, low-NOx zone in the centre of each burner flame.

By the early 1990s, the board expects to have a good idea of how much NOx reduction would be achieved by modification of all its stations, at an estimated total cost of £250m.

Bonn to provide DM 320m in chip subsidies

BY JOHN DAVIES IN FRANKFURT

THE WEST German Government has given the go-ahead for payment of subsidies totalling DM 320m (£86m) over four years to help finance a German-Dutch effort to develop a powerful new generation of semiconductors.

The project is a joint effort of Siemens, the West German computer and electrical concern, and Philips, the Dutch electronics group.

The Dutch Government has already indicated it will provide the equivalent of DM 160m to support the project, which is aimed at matching micro-electronics developments under way in Japan and the US.

Siemens is aiming to develop a four-megabit Dynamic Random Access Memory chip capable of storing more than 4m bits of data, while Philips aims to develop a static chip with similarly advanced capability.

The Bonn plan to subsidise the project has been politically controversial, partly because Siemens entered into a co-operation agreement with Toshiba of Japan last July.

The West German Federal Research Ministry was taken by surprise by the Toshiba pact and has therefore framed the conditions of its subsidy arrangement very carefully.

It is understood that the arrangement is to be reviewed if there is any further Japanese link-up.

The ministry expects the four-megabit chip to be developed by the end of 1988 at the latest.

Siemens entered into the pact with Toshiba to speed up the production of a one-megabit Random Access Memory chip capable of storing more than 1m bits of data.

As a result of gaining production technology "know-how" from Toshiba, Siemens expects to produce its one-megabit chips at a new plant at Regensburg in Bavaria next year.

This will be about a year earlier than originally planned, although it will still lag behind the start-up of Toshiba's own production of a one-megabit chip in Japan.

The Bonn Government will provide about DM 243m to Siemens and DM 77m to Valvo, a West German subsidiary of Philips, between now and 1988.

The Government decided to back the project out of concern that German and European companies are falling too far behind Japan and the US in semi-conductor technology.

Hungary car import boost

BY DAVID BUCHAN

HUNGARY is to increase car imports from Comecon countries and Yugoslavia from 100,000 vehicles this year to an annual average of 125,000 in 1986-90, but even this is unlikely to satisfy pent-up demand for cars in the country.

Mr Gyula Sos, Deputy Industry Minister, announced over the weekend that Hungary had contracted for 564,000 cars from Comecon and 60,000 from Yugoslavia. Hungary had wanted to import more on a countertrade basis, but Mr Sos said "these countries were not planning to build new car factories or increase their production volume, but rather to introduced new models."

He said Hungary was talking to a number of Western and Japanese companies about importing small numbers of Western models and possibly setting up a joint venture car assembly plant in the country. But the main obstacle is shortage of hard currency.

Hungary has bought a small number of Fiat vehicles this year on a countertrade basis, while the Budapest department chain, Skala, is importing a few Japanese cars in exchange for receiving Japanese tourists in Hungary.

A Western car assembly plant would certainly alleviate Hungary's car shortage.

Budapest has talked to Fiat, Volkswagen, Renault, General Motors, Ford and the Japanese about car assembly, but many doubt whether the small size of the Hungarian market would make such assembly economic.

Superpower trade talks test summit progress

BY PATRICK COCKBURN IN MOSCOW

SOVIET OFFICIALS and some 400 US businessmen representing 150 companies started four days of trade talks in Moscow yesterday in what is seen as a first test of better superpower relations since the Geneva Summit.

The Communist Party daily Pravda described the meeting, arranged by the US-USSR Trade and Economic Council, as having much greater potential in the aftermath of last month's talks between Mr Mikhail Gorbachev, the Soviet leader, and President Reagan.

Soviet exports to the US last year were worth $350m (£237m) and imports registered $3.3bn, though this consisted largely of grain. Soviet imports of American manufactured goods totalled $110m, against $4.5bn from Western Europe and Japan.

Mr James Giffen, the US president of the privately run council, said yesterday he thought US non-grain exports could rise to $3bn under existing US legislation and had a potential of $15bn if legal restrictions were lifted.

US exports to the Soviet Union surged in the early 1970s when détente flourished but the passage of the Jackson-Vanik trade amendment through Congress in 1975—linking trade with the Soviet Union to Jewish emigration—reduced the flow of goods. Moscow has sought Most Favoured Nation status in the US in order to increase its exports.

Mr Giffen said that several small contracts would be signed this week between US companies and Soviet organisations, but that the best long-term opportunity for the US winning large contracts was in the development of Soviet oil and gas fields.

Last year Mr Gorbachev identified four prime areas for US-Soviet economic co-operation: energy, agribusiness, plants to manufacture consumer goods and the re-equipment of Soviet industry.

The friendlier atmosphere between Washington and Moscow as a result of the Geneva Summit has led to an increase in the number of US businessmen coming to Moscow this year, Mr Giffen said. Soviet trading organisations are unlikely, however, to buy more from the US unless trade restrictions with the USSR are eased. Soviet officials also want guarantees on the sanctity of contracts.

This week's meetings are important for their symbolic significance rather than as a precursor of a boom in US-Soviet trade, say diplomats. West Germany, France, Finland and Italy, all major consumers of Soviet oil and gas as well as exporters of manufactured goods, are likely to keep their pre-eminence in trade with the Soviet Union.

The political nature of the talks on improving trade links is underlined by the attendance of Mr Malcolm Baldrige, the Commerce Secretary.

S. Korea venture for Ford

By Steven B. Butler in Seoul

FORD the US car company, and Mando Machinery of South Korea are to establish a 50-50 joint venture to manufacture automotive components in South Korea.

The venture, set to be signed on Thursday, is Ford's first direct involvement in South Korea's rapidly growing car industry and completes the representation of the US big three car makers.

General Motors has a venture with Daewoo Motors for the assembly of automobiles and parts manufacture. Chrysler has also recently established a joint venture for procurement and eventual production of automotive parts, leading possibly to car assembly.

Ford's $8m (£5.3m) venture will include building a new plant outside Seoul to make 450,000 aluminium radiators annually, beginning in 1987. Other climate-control related components will be produced later to supply the South Korea car industry, and for export.

Ford is known to be holding discussions with KIA Motors about the possible purchase of equity in the company.

Beginning in 1987, Ford will sell about 70,000 mini-cars made by KIA in the US.

Chinese disappoint EEC traders

BY COLINA MacDOUGALL, RECENTLY IN BRUSSELS

BAD LUCK continues to dog the European Community's efforts to stimulate trade with China. A meeting in 1981 was hit by the cancellation of many substantial contracts due to a shortage of foreign exchange, and the same problem affected last week's China business conference held in Brussels.

Contrary to expectations, many of the Chinese negotiators present were interested only in joint ventures, rather than outright purchases.

A dozen or so contracts were signed, worth perhaps $100m, though conclusion of negotiations is still months away. But the bonhomie and champagne dispensed at the signing ceremonies gave a lift to an event which otherwise focused on laying foundations for the future.

Included in the deals was an agreement made with BASF of West Germany to build two chemical plants worth $20m and a contract with the French Usinor group for a sintering line to go to the huge Wuhan steel works, the value of which was undisclosed.

Nearly 200 Chinese and 300 Europeans were closeted together last week in the Sheraton Hotel under the auspices (and to some extent at the expense of) the EEC. A central government delegation led by State Counsellor Zhang Jinfu was accompanied by groups from 11 provinces who set up their negotiating tables bazaar-style in a large room adjoining the main reception area.

Each province brought a list of projects to discuss, ranging from continuous casting technology to a production line for bowler hats. But the Europeans were disappointed by the change in approach.

"This isn't a trade conference, it's an investment conference," said on angry British businessman. "The Chinese have cut out most of the sales projects and, in any case, half of them seem already to have gone, many to the Japanese. It's bad for China's reputation to do this kind of thing."

"This reaction is not right," claimed Feng Shu, division chief in the Ministry of Foreign Relations and Trade, in reply. "We brought a list of projects specifically for European partners. Maybe one or two have gone, but that's all. As for the stress on investment, some provinces have come with foreign exchange, but if they haven't enough for their projects, the rest will have to come from joint ventures."

A major problem for the foreign partner in joint ventures is that there is no way of knowing whether the end-product will be satisfactory. "They are offering us a joint venture in microchips," said one businessman from an electronics company which has already sold £30,000 worth of equipment to China. "But in a couple of years' time, will their chips be as good as US ones?"

Despite the difficulties, the conference format and the number of provinces present made the chances of finding a suitable partner less remote. The alternative for the European is an extended tour searching out projects at first hand. Contacts made may be useful when China's trade situation becomes easier.

China's share of the Community's total trade is still quite small, but has made a big jump this year. European exports to China increased by over 90 per cent from $1.3bn in the first half of 1984 to $2.5bn in the same period this year. The trade balance moved from a deficit in the first half of 1984 to a $925m surplus by the end of June this year.

China is not happy about this, but division chief Feng expects an improvement by the end of the year. "We have stepped up our exports," he said. "We hope the EEC will make it possible to increase our sales further by removing restrictions and expanding textile quotas."

European airlines set for jump in profits

BY MICHAEL DONNE

EUROPEAN airlines collectively are expected to earn net profits of $900m (£642m) during 1985, up about 20 per cent against net profits of $745m during 1984 and a break-even result in 1983.

This figure, produced by the Association of European Airlines (AEA), which includes 20 major airlines in that area, compares with the overall net profit of between $100m and $200m for the 140 member-airlines of the International Air Transport Association (Iata), which includes all the AEA member-airlines.

The IATA figure is reached by deducting the losses incurred by many airlines from the profits earned by others. For 1986, the IATA is forecasting a net loss of $500m for its members.

Even within Western Europe, the overall net profit figure includes substantial profits earned by such airlines as British Airlines, as well as much smaller profits and some losses incurred by others.

Mr Karl Heinz Neumeister, secretary-general of the AEA, says that the 1985 results for the AEA members had been achieved largely through cost-cutting exercises which had helped to reduce the airlines' overall interest burden on the procurement of new equipment and other items.

"It is an uncomfortable fact that annual load factors (the percentage of available seats filled) of around 66 per cent are required to sustain the present level of profitability.

"Latest indications for 1985 suggest a situation very similar to the previous year with an overall traffice growth of 5.5 per cent not quite keeping pace with capacity.

"We expect the same increase next year, but a capacity increase of nearly 7 per cent will bring load factors down to 65 per cent.

"However, with an additional reduction in the interest burden, the bottom line should be further improved. The possibility of a $1bn net profit for next year is not impossible," Mr Neumeister said.

The Association has also produced a broad blueprint for the type of new long-range airliner of medium seating capacity that its members would most like to see developed.

Such an aircraft would seat no more than 330 passengers, with between 5,000 and 7,000 nautical miles non-stop capability, and should become available for service by 1990.

The aim of such an aircraft would be to fly over long-distance routes where traffic densities do not justify the use of bigger aircraft, such as Boeing 747s.

Mr Eric Jackson, general manager, technical affairs, for the AEA, said that the member-airlines of the association are able to achieve cost-benefits by submitting a collective specification to aircraft manufacturers.

Hong Kong airline hearing concludes on bitter note

BY DAVID DODWELL IN HONG KONG

THE six-day hearing of Hong Kong's Air Traffic Licensing Authority (Atla) closed yesterday on a bitter note with Hong Kong Dragon Airlines attacking its opponent, Cathay Pacific Airways, as "paranoid." Dragonair, the fledgling Hong Kong carrier has applied to fly 10 routes in to China.

Cathay Pacific, Hong Kong's de facto flag carrier, warned that if the tribunal approved licences for Dragonair to fly to Shanghai and Peking—the only routes to which it has objections—then the two airlines would be "set on a collision course."

Dragonair has argued that the application for routes into China must be taken as a single package, since the lucrative routes to Peking and Shanghai would provide profits to underwrite the untested inland routes

Mr Justice Penlington, who has headed the Atla hearing, is likely to rule on Dragonair's application next week.

If Dragonair succeeds, it must apply to be designated to fly the routes, and must win air traffic rights from China's aviation authorities before being allowed to start operations.

The controversial new airline, controlled by Hong Kong shipowner Sir Yue-Kong Pao through his subsidiary Eastern Asia Navigation, has begun charter flights between Hong Kong and Xiamen.

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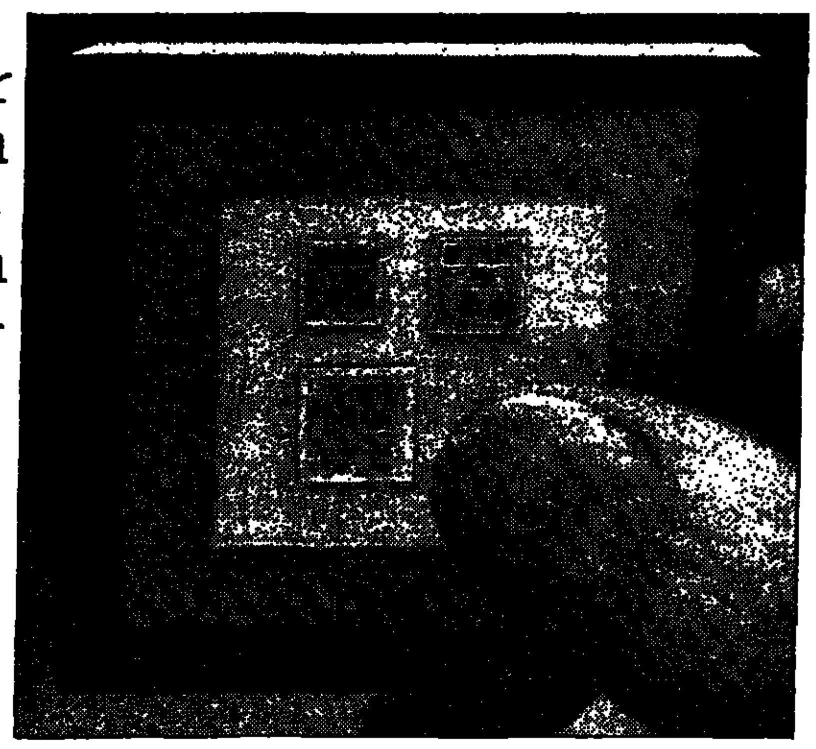

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UK NEWS

Law will end tradition of dons' jobs-for-life

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

LAWS clearing the way for universities to sack dons for bad work are promised by a government consultative paper published yesterday.

It says statutory commissioners will be appointed to end the tradition by which established academic staff are often granted almost lifelong tenure of their jobs.

The prime task of the three comissioners will be to amend universities' statutes so that they provide for dons to be dismissed for reasons of redundancy or financial exigency. These provisions will apply only to academics appointed after the enactment of the legislation, which is unlikely to be introduced in parliament before 1986-87.

The commission will also have power to make changes enabling any don to be sacked more easily for unsatisfactory performance of his or her duties. The consultative paper says that present rules for dismissal on such grounds tend to be ambiguous and the procedures for carrying out the dismissals are often cumbersome.

When the commission has completed the necessary changes – which are expected to take at least two years – the legislation providing its powers will be wiped from the statute book. Any further amendments to universities' charters will then have to be made individually through procedures in force before the commission was set up.

The proposals follow more than three years of discussions about limiting dons' tenure between Sir Keith Joseph, Education Secretary, and university authorities.

The tenure was recently criticised by the National Audit Office as among the reasons for the wasteful effects of the £200m redundancy-pay scheme for university academics which the Government introduced in 1981. The Audit Office said the scheme resulted in acute staff shortages in such subjects as engineering and computer science. These are subjects in which it was government policy to increase the institutions' teaching capacity.

Changes to the tenure system, including increases in power to sack dons for bad work, have been advocated both by the University Grants Committee and the Committee of Vice-Chancellors and Principals.

The Association of University Teachers (AUT) has described the Government's proposals as unnecessary and dangerous.

Most of the institutions already had power to get rid of incompetent academic staff, Miss Diana Warwick, the AUT general secretary said. "What the Government is trying to produce is a charter for rapid hire and fire."

Acid rain film angers Norway

BY ANDREW GOWERS

NORWAY launched a bitter attack yesterday on the Central Electricity Generating Board (CEGB), accusing it of distorting the facts in the controversy over acid rain pollution.

Mr Jan Thompson, director general of the country's Environment Ministry, told a press conference in London that a video film produced by the CEGB this autumn to promote its arguments over acid rain "clearly and cleverly" sought to minimise the problem.

"The film gives an unbalanced and biased view of acid precipitation," he said. He also objected to the fact that the CEGB had made the film in Scandinavia without consulting the local authorities.

The CEGB strongly denied that the film was misleading.

Mr Thompson's remarks reflect fresh strains in diplomatic relations between Britain and Norway over the acid rain issue.

Oslo argues that Britain should join other European countries in taking action to reduce sulphurous emissions from its power stations, which it says are polluting Scandinavian lakes more than those of any other country.

Britain has refused to do so, on the grounds that there is insufficient scientific evidence to warrant such action.

The question was raised during a meeting last month between Mrs Margaret Thatcher, the British Prime Minister, and Mr Kaare Willoch, her Norwegian counterpart. Yesterday the Norwegian Embassy delivered another letter on the subject to Downing Street from Mr Willoch.

Officials stressed that this was not intended as a diplomatic protest. "We are talking about arguments and counter-arguments between friends," said one.

The Norwegians, however, have obviously been disturbed by the CEGB film. Mr Thompson warned that tensions could increase further over the issue.

Airship group confident on licence

By Michael Donne, Aerospace Correspondent

AIRSHIP INDUSTRIES, the Australian-controlled but UK-based manufacturer of lighter-than-air craft, is pressing ahead with plans for eventual listings on the London and Australian stock exchanges.

The company, which is more than 64 per cent controlled by Mr Alan Bond's Australian Bond Corporation, earned a small operating profit in the 15 months to end-June, compared with a loss of more than £5½m in 1983-84.

Mr Bond told the annual meeting in London that the company was "well on the way" towards obtaining an air operator's certificate for the bigger Skyship 600 craft. The Skyship 500 won its certificate last September.

All Skyships to be built through 1986 had now been allocated to prospective customers. He felt the company had a great profit potential in defence, advertising and tourism.

Negotiations were in hand with at least three governments for the sale of further airships.

Mr Bond said he was confident that in partnership with Westinghouse of the US the company would win the next stage of the contract to develop a larger, long-endurance airship for early-warning and fleet protection duties. Such a contract might be awarded in the new year.

Research into the long-endurance craft would be vitally important to the company in pioneering its envisaged 200-seater civilian transport version.

One long-term plan was to provide £50 sightseeing trips over London if currently heavy aerial advertising contracts permitted. First chances of such trips would go to existing shareholders.

Mr Bond said he was certain that with the developing level of revenue, research and technology Airship Industries had put past difficulties firmly behind it and was on a sound commercial footing.

● The British Caledonian Group has reaffirmed its intention to sell its Blue Sky Holidays subsidiary and to cease operating charter-based European inclusive-tour package holidays from next summer, because of the price war in the tours industry.

Sir Adam Thomson, chairman of the group, which includes British Caledonian Airways (BCal), said yesterday that negotiations for the sale of Blue Sky were in progress, with an announcement expected later this week.

He confirmed that the complete range of Blue Sky winter 1985-86 programmes would be operated in full under the British Caledonian group control. Holidays already sold were guaranteed to operate and new bookings were also being taken. But whichever company bought Blue Sky would take control of the summer 1986 programme from British Caledonian's subsidiary, Caledonian Leisure.

The British Caledonian Group's other subsidiary, Arrowsmith Holidays, was the subject of separate sales talks but would also fulfil its current winter programme.

Sir Adam said the decision to sell the tour companies and withdraw from European inclusive-tour operations had been taken with great reluctance.

"Our previous strategy was to expand inclusive tour operations through acquisitions. However, the pricing policies being deployed by the major tour firms are undermining the balance of the inclusive tour industry, and would have led to losses for Blue Sky in 1986 which could not be justified to our shareholders.

"We have had to be entirely realistic, on behalf of both staff and shareholders, in deciding that there is no alternative to the current course of action."

Executive pay rises widen differential with other employees

BY JOHN LLOYD, INDUSTRIAL EDITOR

EXECUTIVE PAY continues to rise by around 8 per cent a year, a level of increase which seems likely to continue as differentials between executives' and blue and white-collar workers' pay continue to widen.

These findings, from Incomes Data Services and Hay-MSL, come at a time when the Government and industry leaders are engaged in a sustained effort to "talk down" the general level of pay settlements because of the effect on competitiveness of awards above the level of inflation. The evidence continues to show that there is no trend towards "setting a pay example" among management.

The IDS survey of 72 companies in the manufacturing, service and public sectors shows that company pay review guidelines average 7.9 per cent, with a range of 6–11.7 per cent. In the service sector, awards went as high as 20 per cent, while in the manufacturing sector, they went up to 15 per cent.

In those companies where rolling reviews are planned the level set varies between 7 and 9 per cent, roughly the same as in the last quarter of this year. The companies include Amoco, Colgate Palmolive, Control Data and Mobil Oil.

About two thirds of the companies surveyed show that two thirds of private sector companies pay a general award plus a merit element – and that these companies average higher total awards than those companies which pay merit only. The average general award was 6.4 per cent and the average additional merit budget was 2.6 per cent.

In the accountancy, data processing and sales sectors, employers report continuing high salary market pressure. This is particularly high in the City of London. In electronics, however, some companies report a slackening of pressure because of the downturn in the market and salary increases are going down.

Partly in response to market forces at the top end of the salary range, differentials between the shop floor and the executive suite are stretching. Over the past six years, the narrowing differential gap between workers and managers has been reversed, according to Hay-MSL research.

The survey says the reasons for the increases include:

● Awards are more easily made to top managers because there are fewer of them.

● Employers have wished to reward top executives as profits increased.

● Companies have wished to extract a greater effort by paying more to senior managers in sectors struggling with recession.

● Bonuses are being increasingly granted to senior managers and board members.

● The Top Salaries Review Body recommendations on senior civil servants' pay widened the differential between the top posts and those further down the structure.

Four yards compete for submarine orders

BY ANDREW FISHER, SHIPPING CORRESPONDENT

ORDERS FOR up to three diesel-electric submarines, worth a total of about £300m, are likely to be placed by the Government before Christmas, with four yards in England and Scotland competing to carry out the work.

Vickers Shipbuilding in Barrow-in-Furness, north-west England, is already building the first submarine, HMS Upholder, in this Type 2400 class.

The Vickers yard, now up for sale to the private sector along with other warship yards, is also in line to build one or more of the next ships in the series.

So is Cammell Laird on Merseyside, a subsidiary of Vickers under a recent reorganisation by state-owned British Shipbuilders (BS). Cammell Laird won a £135m frigate order in January in recognition of its efforts to overcome the effects of last year's lengthy labour dispute.

Yarrow on the Clyde, south-west Scotland, which was bought this year from BS by General Electric, hopes to take part in the orders, as does Scott Lithgow, also on the Clyde and acquired in 1984 by Trafalgar House. A Type 2400 submarine costs about £100m, including weapons and other equipment.

Vickers, one of the largest warship yards in Europe, and Cammell Laird are being sold to the private sector together, and a management team has already announced plans for a joint management and employee buy-out, backed by Lloyds Merchant Bank.

UK NEWS

MPs call for clearer economic policy stance

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

A REPORT from an all-party committee of MPs said yesterday that there had been a major change in the Government's economic policy and voiced concern at the present high level of British interest rates.

The House of Commons Treasury and Civil Service committee urged the Government to clarify its economic strategy following the Treasury's move to put more emphasis on sterling in setting interest rates and to accelerate the privatisation programme.

The committee's report on last month's Autumn Statement on the economy comes ahead of a meeting today between leaders of the Confederation of British Industry (CBI) and Mr Nigel Lawson, the Chancellor of the Exchequer.

Sir James Cleminson, the CBI president, and Sir Terence Beckett, its director general, are meeting the Chancellor to discuss their representations for next spring's budget.

They are expected to press industry's case for an immediate cut in interest rates and for a programme of increased government spending on infrastructure and other capital projects. The CBI plans to finalise its formal recommendations for the budget early next month.

The committee's report says the Government's decision to suspend its target for the growth rate of the broad measure of the money supply, sterling M3, and to give increased importance to the exchange rate, had clouded analysis of official policy.

"All this represents a major change from the economic policy explained to us when the present Government took office... We think it would be helpful if the Government was to recognise this explicitly," the MPs say.

In a reference to the current level of borrowing costs, the report says it appreciates the Government's caution in bringing interest rates down.

It adds, however, that the use of high interest rates and a strong pound as a counter-inflation instrument could lead to "a significant deterioration in the competitiveness of British manufacturing and a loss of foreign and domestic markets."

The MP's are also critical of Mr Lawson's decision to drop from the autumn statement any indication of projected Government revenues and of the likely scope for tax cuts. Mr Lawson's argument that inclusion of the figures in previous years had provoked damaging speculation was misjudged.

"All that has changed since previous years is that speculators, commentators and other decision makers in the market are less well informed," the report says.

The report says that the economic forecasts in the autumn statement, which project strong growth and low inflation, appear rather optimistic. It voices particular concern over the longer-term outlook for Britain's trade balance.

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Manufacturers' raw materials costs show steepest fall

BY PHILIP STEPHENS AND DAVID CHURCHILL

THE GOVERNMENT's forecast of a steep drop in the inflation rate next year received a further boost yesterday with the news that manufacturers' raw material and fuel costs showed the sharpest fall on record in the year to November.

The Department of Trade and Industry said that its index of industry's input prices fell by 5.2 per cent in the 12 months to November, the largest drop since the statistical series was introduced in 1974.

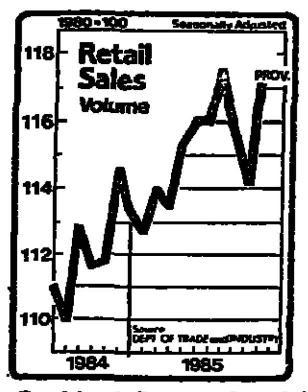
It came despite a rise of 0.5 per cent in the index between the latest two months which, the Department said, reflected a seasonal increase in industry's electricity costs in the winter months. In the same month of 1984, input prices rose by 0.9 per cent and yesterday's figure was below the expectations of most analysts.

The improvement in the costs outlook since the beginning of this year reflects the rebound in sterling's value from its January lows and the general weakness of international commodity and oil prices.

Last month both petrol and imported non-food commodity prices fell, partly offsetting the higher electricity tariffs and a rise in food material prices.

The Department's figures also show that prices charged by manufacturers at the factory gate remain steady after falling back since the beginning of the year. Its index of output prices showed a rise of 0.4 per cent between October and November, leaving the annual rate of growth unchanged at 5.1 per cent. Earlier this year factory gate prices were rising by around 6 per cent on an annual basis.

● Retailers are on course for a record level of Christmas sales after a sharp rise in spending in the shops in November.



Provisional figures released by the Department of Trade and Industry indicated that the volume of retail sales increased by 2.6 per cent in November after an overall decline of 3 per cent during September and October.

In November, the seasonally adjusted index of retail sales volume stood at 117.1 (1980 = 100), fractionally lower than the peak of 117.5 reached in August but 4.8 per cent above the level in November last year.

A rebound in November had been expected by both economists and leading department stores. Economists expect the momentum of retail sales to be maintained by strong growth in disposable incomes and a declining savings ratio.

Last month the Treasury forecast that consumer spending would rise by 4 per cent next year against a 2½ per cent rise in 1985. Retail sales figures are likely to reflect the overall trend in consumer expenditure.

The autumn dip in spending is thought to result from unseasonably mild weather which led consumers to delay purchases of winter clothing.

'Milestone' £21m profit for BSC

By Ian Rodger

THE British Steel Corporation (BSC) has reported its first pre-tax profit since 1974, making £21m in the six months to September 28.

Sir Robert Haslam, the chairman, warned that there would be a "short-term pause" in BSC's recovery in the second half because of price weaknesses in some products and a heavy refurbishment programme which was disrupting operations.

Sir Robert said the first-half profit, which compares with a loss of £96m in the same period of 1984-85, was "an important milestone in the recovery of BSC."

These profit figures exclude exceptional items which are said to be insignificant in the current period, but totalled £147m in the comparative period. Trading profits were £46m compared with a loss of £68m.

Sir Robert said the improved performance reflected a lack of disruption from outside the Industry, an apparent reference to the miners' strike, which added an estimated £180m to BSC's costs last year.

Sir Robert said the current price weakness in some products was primarily due to the strength of the pound against the D-Mark.

"A greater degree of orderliness and stability in the European steel market is important to the rate of BSC's progress. Substantial overcapacity remains in Europe, which is an attractive market for other world producers, a situation exacerbated by growing US protectionism," Sir Robert said.

"Subject to these concerns, British Steel faces the future with a confidence based on the firm foundation of its achievements in recent years."

Canadian cleared to take over Daily Telegraph

BY RAYMOND SNODDY

THE OFFICE of Fair Trading (OFT) yesterday cleared the way for Mr Conrad Black, the Canadian businessman to take a controlling interest in the Daily Telegraph newspaper.

Senior management of the financially troubled newspaper and their advisers presented the case for the takeover at the OFT yesterday afternoon.

The OFT decided that the takeover does not have anti-competition implications and will today recommend to Mr Leon Brittan, Trade and Industry Secretary, that it be permitted to go ahead.

It is believed that the recommendation was accompanied by a request for urgency because of the newspaper's financial difficulties.

The issue went to the OFT rather than directly to Mr Brittan, because Mr Black, who has Canadian newspaper interests, does not own newspapers in the UK.

Special provisions of the fair trading legislation applies to concentration of newspaper ownership. Heads of agreement were signed on Friday on a deal which will give Mr Black between 50 per cent and 51 per cent of the Daily Telegraph's shares.

The deal was subject to a number of conditions, the main two of which are the approval of the OFT and the Takeover Panel.

"The agreement signed on Friday commenced an inexorable process which will give Conrad Black more than 50 per cent of the company," one of the participants said yesterday.

The deal, in the form of a rights issue and the purchase of some existing shares, involves about £20m. This means that Mr Black, who earlier this year paid £10m for a 14 per cent stake in the Daily Telegraph, will have paid a total of £30m for control.

Mr Black, it is being emphasised, does not intend to become involved in the day-to-day running of the Daily Telegraph and Sunday Telegraph.

The aim is still to appoint Mr Andrew Knight, editor of the Economist magazine, as chief executive to run the company under Lord Hartwell, the existing chairman and editor-in-chief.

Mr Knight said at the weekend that when Lord Hartwell first approached him with an offer of the chief executive's job he said he was happy where he was at the Economist.

But it is clear that Mr Knight will be formally approached again and at least some Daily Telegraph directors believe he will accept.

Mr Knight declined to comment yesterday. As soon as the formalities of the change of ownership have been completed a package of changes at the newspaper will be announced.

These will include delayed interim results which will show a heavy loss and significant management changes.

Last month journalists at the Daily Telegraph and the Sunday Telegraph voted unanimously to express no confidence in the management's ability to save the company from bankruptcy.

● One of Britain's leading provincial newspapers, the 130-year-old Morning Telegraph in Sheffield, South Yorkshire, is threatened with closure, its managing director Mr Colin McNamee said yesterday.

The newspaper was already "very, very vulnerable," Mr McNamee said, and could be killed off by local estate agents' plans to launch a free property guide.

UK-Japanese group buys London site

BY MICHAEL CASSELL, PROPERTY CORRESPONDENT

A JOINT UK-Japanese development company has purchased the former headquarters of the Post Office in the City of London, paving the way for a £150m office development.

Glengate-KG Properties, formed earlier this year by Glengate Holdings, the private property company, and Kumagai Gumi, the Japanese construction group, yesterday emerged as the successful bidder for one of the City of London's largest available re-development sites.

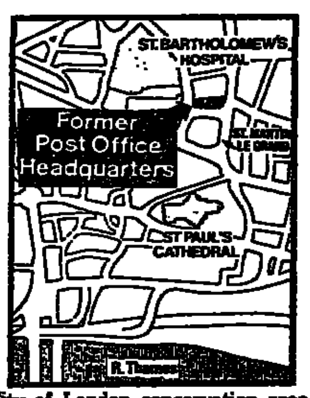
The joint company's success pushes it into the big league of developers and gives the Japanese contractor another foothold in the UK property investment market. The same partnership recently announced plans to re-develop the former Bourne & Hollingsworth department store in London's Oxford Street, at a cost of £55m.

The Post Office offered the freehold of the one-acre, St Martin's-le-Grand site for sale by formal tender and since the bids were opened last week, speculation about the identity of the winner had been mounting.

Many of the largest UK property companies and institutions submitted offers and contenders included London & Edinburgh Trust, Hammerson Group and Land Securities.

Glengate-KG's bid, thought to be about £43m, was not the highest but some other offers were conditional on the total demolition of the existing 306,000 sq ft building, which the City of London Corporation is unlikely to allow.

Planning consent exists for rebuilding the former headquarters building, situated in the heart of a



City of London conservation area, behind the existing facade, which is not deemed to be of special architectural value.

The outline consent envisages about 220,000 sq ft of office floorspace but it is understood that Glengate-KG's plans envisage a significant increase in that figure.

Mr Julian Markham Glengate chairman, said yesterday that the level of interest from large developers and institutions provided "positive proof of the lack of opportunities in the City of London to undertake developments of this size in order to meet the requirements of major occupiers."

Glengate is expected to seek substantial external funding to help meet its share of the development costs.

Detailed talks with the City of London planning department will begin at once and the company's plans for the site should be unveiled in the spring. Development is expected to be completed within about three years.

Labour pledges banking discipline

A NEW supervisory framework for the banking system would be introduced by an incoming Labour government, Dr Oonagh McDonald, one of Labour's shadow Treasury team, pledged last night, writes Peter Riddell, Political Editor.

Dr McDonald said the unfolding of the Johnson Matthey Bankers affair highlighted the Government's complacency in strengthening banking regulations. She said the Government's proposals so far were totally inadequate.

In relation to the question of who should pay for any future bank rescue bid, she said the Labour Party was examining the possibilities of requiring those operating in the banking sector to contribute to a national fund to deal with such crises.

Labour, she said, would set up a statutory audit commission whose role would be to audit bank accounts and to provide an auditing source for other organisations, both private and public, should they desire it.

This body would be in a position to examine the quality as well as the quantity of a bank's loans, and to accept as its responsibility the detection of fraud.

The commission, in consultation with a bank, would examine its internal control systems, which would generally require updating, and recommend new patterns. These would involve a profile of the bank's loan book, as well as the spread of country risk, Dr McDonald said.

Banks should also have a duty to keep formal records of the relationships between companies and individuals to which loans had been made. There would be a statutory obligation to report in a more detailed form to the Bank of England on these matters.

□ BRITISH companies will have more opportunities to secure contracts and provide new jobs under the agreement reached with the US on research into its Star Wars programme than under the Trident submarine deal, Mr Michael Heseltine, the Defence Secretary, assured the House of Commons.

In the first such package of work to be awarded to the UK, Ferranti Computer Systems and Heriot-Watt University in Edinburgh are to share a $285,000 contract in optical computing techniques.

□ A SURVEY has revealed that Job Centres in Liverpool's inner city have to submit black people for an average of 25 vacancies before they find a job. The comparable figure for whites is 15.

□ BUSINESS failures in Britain last month were considerably lower than a year before, according to figures produced by Trade Indemnity, a UK credit insurance company.

□ SCOTTISH mining equipment manufacturer Anderson Strathclyde has won its second big order from China in two months – a £3.7m contract for underground excavation equipment.

□ TRANSPORT Minister Mrs Lynda Chalker promised a Christmas crackdown on drunken drivers and warned: "We are going to be tough." This year's campaign, spearheaded by the slogan "Think you can drink and drive? Think again," is in contrast to last year's much criticised advice to motorists to "Stay low" and not drink too much.

□ WORK on a new police station at Larne, County Antrim, was halted because of IRA death threats. Builders fearing for their lives walked off the site – the latest to be hit by the terrorist campaign to bring construction work on police stations to a standstill.

□ BRITAIN'S film and cinema industry should try to consolidate the achievements of British Film Year by setting up a permanent organisation to publicise the industry, according to a report by the management consultants Deloitte Haskins & Sells.

Polygamous wives 'free to enter Britain'

BY ROBIN PAULEY

THERE is no existing legislation under which it is possible to exclude polygamous wives from entering Britain from the Indian subcontinent to join their husbands, Mr David Waddington, Home Office Minister, said yesterday.

He told a race relations and immigration sub-committee of the House of Commons all-party home affairs committee that the number of polygamous wives coming to Britain was very small "if any." The only statistics available showed that the number of second wives applying to come to Britain accounted for about 15 per cent of all applications. They were chiefly the wives of men who had previously divorced or been widowed.

The question arose because during a visit to Bangladesh the sub-committee found a woman being interviewed by a British entry clearance officer. Her husband, sponsoring her application to come to Britain with seven children, was living in Britain with his first wife and six children.

Mr Waddington said he had given instructions that if any polygamous applications showed up they were to be referred to him for personal decision. To be successful, the applicant would have to prove that the marriage was recognised in Britain on the basis that both were domiciled in Bangladesh at the time of the marriage even though the husband was now legally settled in Britain.

UK NEWS

Scots seek quick nuclear inquiry

David Fishlock previews Britain's next planning battle

THE FIRST skirmish of a new British nuclear public inquiry takes place this week – before the report is finished of the inquiry into the proposed pressurised water reactor at Sizewell on England's east coast.

Those for and against plans to build a spent-fuel reprocessing plant at Dounreay in the north of Scotland have been summoned to a preliminary hearing on Thursday in Thurso, 14 km from the proposed site, to help to establish guidelines for an inquiry beginning on February 17 1986.

The Scots are determined to show that they can do better than Sizewell, which at 27 months was Britain's longest public inquiry. They believe they may get it completed in six weeks, by adhering severely to the point at issue: is Dounreay, in Caithness, a suitable site for the proposed plant?

The proposal is outlined in an environmental impact assessment prepared by the two proponents, the UK Atomic Energy Authority (AEA) and British Nuclear Fuels (BNF). They are seeking outline planning permission for this proposal.

A 117-page environmental impact assessment, designed to EEC requirements, describes a £200m plant to be paid for and run on behalf of a "club" of six European nations – Belgium, France, West Germany, Italy, the Netherlands and the UK – in support of long-term aims to develop an economic fast reactor system fuelled with plutonium.

The plant will not be needed until early in the next century. But its proponents believe that, if Britain is to make a bid to host it, they must first assure their European partners that their plans have won public acceptance in Caithness.

Caithness is probably the most solidly pro-nuclear community in Britain. The main employer is the AEA's Dounreay Nuclear Establishment, an internationally known centre of fast reactor development. The £22m it pays in wages this year represents about 25 per cent of Caithness district's total earned income.

But the plans will intrude on surrounding Scottish communities, because they involve transport of radioactive materials from Europe to and from the site. Some of these communities – for example, the Orkney Islands – are hostile to nuclear activities.

As proposed, the new European Demonstration Reprocessing Plant (EDRP) is a second scale-up of a process practised at Dounreay for 20 years and is almost identical.

Since 1979, this process has chemically treated seven tonnes of spent plutonium fuel from the 250 MW prototype fast reactor at Dounreay and purified 1.3 tonnes of plutonium for re-use as fuel.

The economics of the fast reactor depend on the speed and efficiency with which plutonium can be returned to the reactor. The European club wants to demonstrate the fuel cycle serving about 5,000 MW of fast reactor capacity, reprocessing at least 50 tonnes of fuel a year.

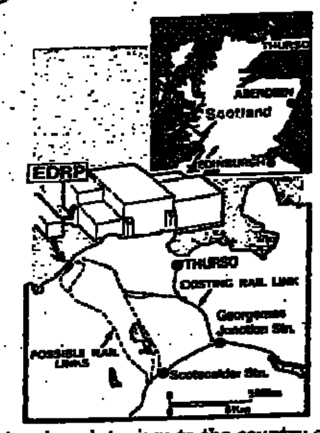
At present, club members can muster no more than 15 tonnes of annual capacity between them, spread among four pilot plants at Dounreay and in France, West Germany and Italy.

EDRP is planned to reprocess 60-80 tonnes of fuel a year; up to 500 fuel assemblies, varying from 90-200 kg in weight, depending on the design of reactor. They would come from four demonstration fast reactors in western Europe, the first of which – Superphenix, 1,200 MW – is expected to generate power for the first time this month.

This fuel will reach Scotland by sea in 90-tonne casks. The proponents want it to reach EDRP by rail, to avoid interfering with the coastal road serving Dounreay.

They propose a sea terminal at Invergordon, 120 km away, similar to one at Barrow in Cumbria, which handles overseas spent fuel for the Sellafield reprocessing plant.

Opponents are likely to see this proposal as a promising point of attack, since it involves communities well away from Caithness. Still more promising, from their viewpoint, may be the proposal for returning plutonium to the country of origin.



Dounreay has its own airstrip, close to the site proposed for EDRP. Experimental plutonium fuel from club members already arrives in this way – about 22 tonnes a year.

The proponents estimate that it will require between 40 and 200 flights a year from Dounreay to carry plutonium back to the country of origin.

On the other hand, there will be no further need for the present shipments of plutonium nitrate solution by road and sea from Dounreay to Sellafield.

Environmental impact assessment relating to the proposed siting of EDRP at Dounreay, Caithness. Available from the AEA, 11 Charles II Street, London SW1Y 4QP.

Shake-up ahead at Stanley Gibbons

By Lucy Kellaway

STANLEY GIBBONS, the stamp dealer, which was forced to abandon its Unlisted Securities Market (USM) flotation last year, has informed shareholders of fresh difficulties resulting in the dismissal of Mr David Stokes, managing director, and Mr Michael Bray, finance director, from their executive positions.

In a letter sent to shareholders last week accompanying Stanley Gibbons's annual results, Mr Ronnie Aitken, chairman, said that Mr Stokes and Mr Bray had given an unlimited bank guarantee without the knowledge of the rest of the board on the debt of Frimarkshuset AB, a subsidiary company, sold last year.

Stanley Gibbons is being asked to honour that guarantee. A £400,000 extraordinary write-off appears in the latest accounts.

The letter says: "Your board, with the exception of Mr Stokes and Mr Bray, was unaware of the existence of an unlimited guarantee, signed by Mr Stokes and Mr Bray in May 1983 in respect of Frimarkshuset's borrowings. When Mr Bray negotiated the sale of the group's residual shareholding, the guarantee was not released. Your board has taken legal advice and will take all possible action to effect recovery of the sums involved."

Other senior management changes have also been made as a result of the company's depressed trading performance. Profits on ordinary activities for the year to last June fell sharply to £236,000 (£837,000), due in part to an "unacceptably high" level of overheads and to an expensive promotional campaign of "thematic" stamps, aimed at a wide retail audience.

Mr Aitken took over from Mr Clive Feigenbaum last May, after allegations concerning Mr Feigenbaum's business background caused the stock exchange to refuse permission for dealing in the shares.

"The management control when I got there was ghastly," Mr Aitken said. "What we have got to do now is to get the company making solid profits again before we can think of getting a listing."

Both Mr Stokes and Mr Bray are taking legal advice on their dismissals. The resignation of Mr Stokes from the board was initially described in a September press release as enabling him to pursue other interests.

Last weekend he said that corrective action on overheads had already been taken in some areas. He added: "The company's auditors have produced a clear statement relating to the Swedish bank guarantee that was available to the chairman and to other members of the board."

Mr Bray has not yet resigned from the board. A proposal to remove him will be voted on by shareholders at the annual meeting this month.

Former Colt chief given £200,000

By Kenneth Gooding, Motor Industry Correspondent

MR MICHAEL ORR, former chairman of the Colt Car Company which he helped to set up to import Mitsubishi vehicles from Japan to the UK, received £200,000 compensation after he resigned in April 1984.

The Colt accounts, now published, also show that Mr Orr was paid £126,223, excluding pension contributions, in his last year as chairman.

Colt, based in Cirencester' suffered an increased net loss of £3.12m for the year which ended in March, up from a deficit of £2.96m for the previous 12 months.

Mr Peter Beaumont, who took over as managing director after Mr Orr's sudden resignation, said at the weekend, "We are trading profitably this year – and we intend to go on doing so."

The Colt accounts are qualified by the auditors, who point out that the company's distribution agreement with Mitsubishi Motors expires in 1986. Colt's future very much depends on the renegotiation of that agreement.

Mr Beaumont said negotiations for another five-year extension of the agreement from 1986 were at an advanced stage and it was "highly unlikely" there would be any problem.


Graff

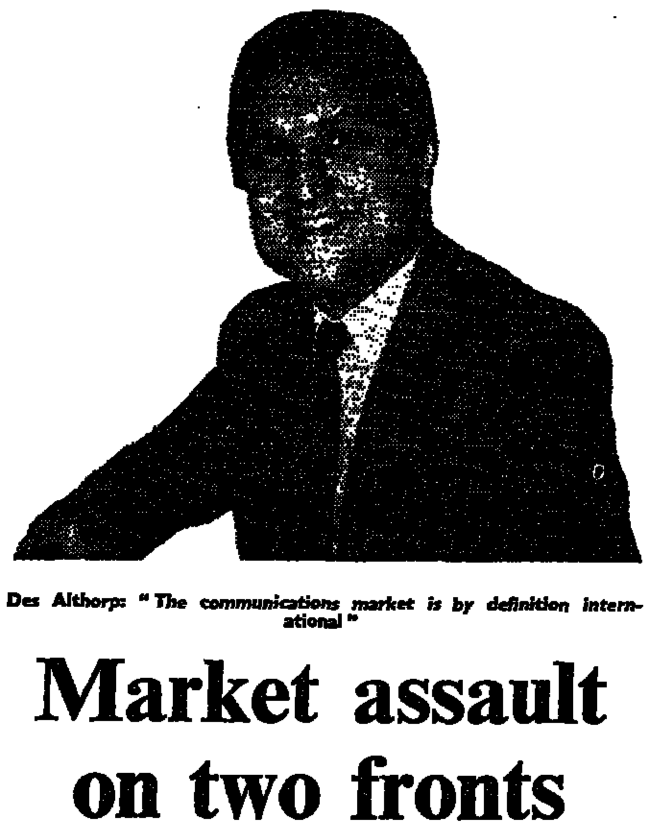
THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

COUNTLESS small businesses have burned their fingers badly in attempting to break into international markets.

The pattern they have traditionally followed is to build up a strong presence at home and then underestimate the challenges involved in doing the same overseas — witness Acorn Computer in the US. Others tend to fall into the arms of more international predators at this crucial stage in their development.

Such businesses might have done better if they had cultivated international markets right from their earliest days as start-ups, rather than diversifying from an entrenched position at home. Telematics International, a Florida-incorporated producer of data communications equipment, provides a highly unusual example of a business which has grown simultaneously in the US and the UK from the moment it opened its doors.



Des Althorp: "The communications market is by definition international"

Market assault on two fronts

William Dawkins on Telematics' unusual origins

Since its twin formation three years ago in a former hairdresser's shop in Florida and a garden shed near Henley-on-Thames, Oxon, Telematics' revenues have rocketed to $12m (£8.1m) in the current year to December, when it expects to make a $1.25m profit, its first ever surplus. Now it has four offices in the US and a European headquarters in Basingstoke and plans a flotation on the US over-the-counter market late next year.

The big advantage of that strategy is that it is possible — in theory at any rate — to grow twice as fast by tackling two equally sized markets at the same time than if they were approached singly. Moreover, says John Pitt, Telematics' 41-year-old founder: "The transatlantic nature of the company has given us a credibility beyond our size."

Yet Telematics has only been able to achieve its international ambitions because it has a management team with a depth of experience that also goes beyond its size. Its six directors —all in their 40s — have each held senior positions in similar international companies, covering functions ranging from finance to development and marketing.

Telematics' determination not to rush into production too early —a classic mistake by many start-up ventures — has also been important. Moreover, it has been careful to stay out of the capital intensive business of manufacturing, confining itself instead to final assembly and quality control.

However, putting this strategy in place has been time-consuming and costly, especially for Telematics' 32 UK and US institutional backers, which have put up a total of $14.8m in three financing rounds since 1982.

For a start, Telematics has had to pay heavily to attract staff of the right quality, most of whom were already being rewarded handsomely by much larger competitors and customers.

A small company selling to a territory that spreads from the Middle East to New Jersey can ill afford having to repair faulty machines in the field. That is why Telematics refused to start shipping in bulk until early this year, by which time it had developed its programmable packet switches to almost twice the durability standards originally planned. Telematics' switches are used to build data communications networks and can also permit information to be extracted from networks faster and more cheaply than is possible with other switches.

Pitt was in charge of international operations for Modular Computer Systems, a Florida-based maker of minicomputers, when he saw a chance for the group to diversify away from its increasingly mature business supplying the process control market into data communications.

Over the next 18 months, he managed to attract five former Modcomp colleagues to join him. They included Raymond Mattson, one of Modcomp's founders, and others who had already left to work for Digital Equipment.

Between them, they stumped up $500,000 for half of the equity, with the other half going to Hambros International Venture Fund and Oak Management Corporation of the US for $1.5m.

Des Althorp, 44, formerly in charge of Modcomp's UK headquarters, came in to handle the European side of the venture, initially working from his garden shed. The transatlantic split made sense even from Telematics' earliest days as a development project, explains Althorp.

"The communications market is by definition international and we wanted to set up development teams in the right locations. The US has the best pool of resources for hardware development and operating systems software [operating instructions inside computers], but for applications software [external performance instructions] the UK has the best pool of resources," he says.

In the event, developing the product proceeded almost without a hitch, with development costs coming in well below budget in each of Telematics' three years. Its only big mistake was to assume that it could sell package switches through systems houses, the strategy that the directors had used for Modcomps' computers.

Systems houses buy computer hardware and add their own applications software before selling it on to the end-user. In Telematics' case this meant a development spend of around $160,000 by each systems house.

"That was just too much for them to risk on an untried company. They wouldn't do it on spec," recalls Althorp. The upshot was that Telematics took six months longer than expected to make its first sales.

The first big breakthrough came at the end of last year, when Telematics won a $7m order from Telecom General, the US telecommunications company, at the same time as landing a $6m contract from British Telecom. "That's what really put the credibility stamp on the company," says Althorp.

Telematics prepared for the BT contract by deliberately bidding a year previously for a BT order it knew it had no chance of winning. "That was just to get BT to know us and to learn how they worked," says Althorp. In fact, the group got rather more than experience from the dummy bid — it managed to impress the BT technical assessor, Andy Brown, enough to persuade him to join Telematics as UK technical support manager.

On the strength of BT and Telecom General's mark of approval, others soon followed, including a five-year order last September worth $35m from ICL, the British computer manufacturer, with further contracts from Geisco, the computer network and services subsidiary of General Electric of the US. The order book now stands at $50m spread over the next three to five years.

It has always been an important principle for Telematics that its UK and US divisions should be able to operate independently, though they do perform slightly different functions, with all manufacturing sub-contracted in the US and applications software written in the UK.

Another important principle is that Telematics has been funded entirely by equity ever since its inception, a rare strategy among British start-ups. The costs of this to its founders and 118 staff is that they have seen their stake in the company get diluted from 50 per cent to 43 per cent after successive rounds of financing.

Yet, says Pitt: "The dilution is insignificant compared with the benefits that equity funding creates. The management does not have to waste time wondering how to finance the next month's operations. It can get on with managing the company."

Venture capital

Midland Bank lifts the veil

William Dawkins on the first of the UK clearers to reveal its risk finance performance

MIDLAND BANK Equity Group, the clearing bank's unquoted investment arm, last week publicly unveiled its annual results for the first time in its 17-year history.

Very few British venture capital groups have ever made public such a detailed insight into their performance. Most groups either keep their annual accounts to themselves or have their results merged with those of their larger non venture capital owners. There are some exceptions, such as the handful of publicly listed venture capital groups, but the industry in general suffers from a dearth of information on performance.

The reason that Midland is prepared to open its books in this way, as it frankly admits, is that they make cheerful reading. A 13.4 per cent rise in attributable profits to £3.5m in the year to September represents a 13.5 per cent annual return on its parent bank's £26.2m investment in the group.

That might look tame when compared with the spectacular returns achieved by some US venture capital groups before the American new issues market went into decline two years ago, yet it does bring a bright spot to an industry which has had more than its fair share of bad news recently.

Not that the Midland has been immune from investment flops. Its profits are struck after loss provisions of £2.9m — including more than £200,000 against its Moracrest subsidiary's investment in Berlei, the Welsh lingerie maker which went into liquidation last week —almost double 1984's provision of £1.5m.

Even so, the directors estimate that their portfolio of 154 investments is worth £66m, 54.5 per cent more than its £42.7m book value. Last year, they invested £7.1m in 21 companies in sums ranging from £50,000 to £1m.

Like every venture capitalist, Midland makes most of its profits by selling companies to corporate buyers or floating them on to the stock market, by which methods it notched up a £5.8m capital gain last year. Nevertheless, public issuing houses and stock market investors fail to understand properly venture capitalists' needs to sell shares on flotation, complains John Beevor, group managing director.

Three of the group's investments went public last year—Amari, a metal stockholder; Alexandra Workwear and Our Price Records, the music retailers. They all achieved valuations many times the original price of Midland's investment, yet the group was unable to dispose of more than half of its holdings in any of them.

"Contrary to popular belief, we are never allowed to take our profit when an investment goes public. We are always told that . . . would show a lack of confidence by existing shareholders and kill the issue," says Beevor. It is odd, he argues, that venture capitalists wishing to sell out should be accused of showing little faith when they have had the confidence to invest in a company years before it gets a flotation. Alexandra, for instance, has been in the Midland stable for 15 years.

"The market and issuing houses should take on board that there is nothing particularly sinister about such an institutional investor wanting to sell at or soon after a flotation," says Beevor. That choice, he argues, should be for the venture capitalist rather than for the issuing house handling the flotation.

In brief . . .

SOURCES OF finance and corporate advice for small business have never been so numerous or complicated.

Help is now available in the form of a 700-page guide to the UK corporate finance market, published by Crawford's, producers of the well-known Directory of City Connections. It claims to be the most detailed guide ever published of sources of business finance. It includes names, addresses and operating criteria of all UK venture capital funds, high street and merchant banks, financial intermediaries, leasing companies and factors, over-the-counter market makers and government sources of finance among others.

Crawford's Corporate Finance costs £75 including post and packaging from Crawford's, 40 Duke Street, London W1A 1DW. Telephone 01-493 6711.

●

THE Institute of Cost and Management Accountants is sponsoring research into the special accounting techniques needed by small high technology businesses.

Three teams from the universities of Aston, Edinburgh and Manchester have received grants from the institute to research the ways in which high growth businesses operating in quickly changing markets obtain and use accounting information. They will examine the ways in which such businesses have created new accounting techniques to cope with the demands of their innovative environments. The institute expects to produce a report by autumn 1987.

●

IF small businesses represent the fastest growing sector of Britain's economy, publishers of small business books cannot be far behind.

Among the latest arrivals in an avalanche of publications offering advice for entrepreneurs is Starting a Successful Small Business by Michael Morris, which gives a step-by-step guide to getting started. One of its most useful features is a chapter on self-assessment, designed to help you decide whether you are suited for an independent business life and what kind of support you will need.

Other subjects include marketing, raising finance, law and sources of help. The book costs £5.95 from Kogan Page, 120 Pentonville Road, London N1 9JN.

If you are already started as a small businessman, 101 Ways to Run a Business Profitably might be useful. Published by the Sunday Telegraph with management consultants Thornton Baker Associates, it discusses planning and managing finances and how to raise funds, as well as how to go about recruiting staff and whether to buy a computer. It is available at £1.95 from bookshops or from the marketing department, Thornton Baker, Fairfax House, Fulwood Place, London WC1V 6DW.

Marketing for Co-ops: a Practical Guide shows co-ops how to define their markets and how to devise an effective marketing strategy taking into account both their business and social objectives. Written by Gerry Finnegan, it costs £4.20 from Turnaround, 27 Horsell Road, London N5.

●

MANCHESTER Enterprise Club and Allied Business Consultants, a Cheshire-based training group, are to repeat next January their small business development programme.

The previous programme, which ended last week, attracted businesses with a total of 300 employees, representing a combined turnover of £10m. The course, funded by the Manpower Services Commission, uses established businessmen to advise ventures in their early stages.

Details of the January course are available from Susan Pepper at Allied Business Consultants, 107 Market Street, Hyde, Cheshire SK14 1ES. Telephone 061-368 0085.

●

DUN & Bradstreet has extended its telephone credit information service to include businesses in France, the Netherlands, Belgium, Ireland, Luxembourg and Monaco.

The system allows businesses to check the credit-worthiness of overseas customers by making one telephone call to Dun & Bradstreet. Details from David Goddard, Dun & Bradstreet, 26-32 Clifton Street, London EC2P 2LY. Telephone 01-377 4377.

●

THE Department of Employment has published a simplified guide to the Business Expansion Scheme. The leaflet is intended for use by professional advisers and enterprise agencies. Supplies of the leaflet are available free from the department's small firms and tourism division, Steel House, Tothill Street, London SW1H 9NF, or from local Small Firms' Centres.

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A case for the US system

Max Wilkinson, Resources Editor, on the regulation of private utilities

THE US system of state regulatory commissions which look after all private monopolies is a model which the UK should consider for its three largest monopolies: gas, telecoms and probably electricity.

That is the view of Dr Irwin Stelzer, managing director of the New York arm of Rothschild and one of the US's foremost experts on utilities. He has been advising the UK Government on the forthcoming flotation of British Gas.

He has not been involved in the details, but if the electricity industry follows telecoms and gas into the private sector, as the Government hopes, his views will be of particular interest.

He says one of the main advantages would be that a single large regulatory body would have the best chance of attracting top quality officials.

The idea of a single body to oversee all utilities is not the only lesson that might be learned in Britain from US experience, he believes. "I think there is a confusion in Britain between the question of whether you want to get bogged down with lawyers and elaborate procedures, and the substantive questions which are quite separate."

He has sympathy for those who say they do not want to follow the US example if it means three years of litigation over a rise in telephone charges; but it was wrong to move one step further, as some people in Britain did, and to reject the idea of looking at returns on investment or pricing.

But might Britain not aspire to a more simple system, avoiding the detailed monitoring of a monopoly's operations as happens in many states in the US? Could prices be set by the regulators with a simple formula like "inflation minus X" so that a company's profit would depend on whether it could be efficient within that overall constraint?

"That idea is wrong because after three years or so, if the formula doesn't yield any profit, the company will not be able to raise any capital and it will say the formula does not work," says Dr Stelzer.

"But if the formula yields monopoly profits, you will not know. It is very difficult to distinguish between a monopoly profit and one resulting from efficiency."

For a year or two, Dr Steizer believes a pricing formula like "inflation minus X" might work; it would have the merit of simplicity and it would have the advantage that costs were not automatically passed on to the consumer. But there would have to be periodic tests involving analysis of costs and rates of return to make sure the formula was getting the right answer.

With a simple pricing formula, he says, "you are assured of knowing if the company is not getting enough money, but you are not assured of knowing if it gets too much."

But does this imply that it is possible to avoid the US system of extremely detailed supervision of monopoly utilities?

In some states, Dr Stelzer says, the detailed interference in the operation of utilities does amount to second guessing of the management of the company. "That's just regulatory silliness and it can be avoided by intelligent people," he says.

But, on the other hand, the proper protection of the customer may require a substantial regulatory apparatus.

Some companies may find such a regime irksome, but that is not avoidable. For the essential feature of a monopoly is that the customer has no recourse, and the only way to deal with that is to have a body which handles customers' complaints, he thinks.

"The British fear of an excessively protracted detailed regulatory process has led them to a system in which the customer is essentially without recourse," he says.

"What happens if your gas goes out because of a leaky main? Or if you cannot get a telephone connected for four months, where do you go? Not to Oftel.

"Handling customer complaints is expensive, bothersome and leads to a bureaucracy. But the alternative may be that you have no customer recourse at all. There is a trade-off and it is a decision that society has to make.

"Britain is a society which does not believe in giving as much access to the process of law as the US society does."

Irwin Stelzer
"confusion in Britain"

Interestingly, one of the British Government's reasons for opting to split the regulatory functions into separate bodies seems to be the fear that a single national council of regulators might become too powerful and too intrusive.

But what besides its power as a champion of the consumer, would be the advantage of a single regulatory council? Dr Stelzer believes that one important contribution it could make would be in a general development of the techniques of marginal cost pricing.

"Now you are talking about my life's work," he says. "About 10 years ago we started urging regulators to adopt long run incremental costs (as their criterion for pricing decisions). Now there's a joke in the business that LRIC stands for Let's Run, Irwin's Coming."

Historically, most utilities in the US as in England have tended to try to keep prices for domestic consumers as low as possible and to avoid "discrimination" between different groups of users.

But one of the less controversial aspects of economic theory shows that in a free market, companies will maximise their profits if their average prices reflect the marginal cost of meeting an extra few units of demand. Competitive companies also tend to set prices in line with the true marginal cost of supplying different groups of customers so that those making large purchases for example, get a discount.

Theory also shows that this pricing regime would lead to the best allocation of national resources. One problem for regulators, therefore, is how to mimic the pricing structure which a competitive market would have thrown up. This would usually mean substantial discounts for large industrial users to reflect the economies of scale.

However, Dr Stelzer believes there is also a political problem to be overcome, since pricing on economic criteria will tend to reduce the cross-subsidisation from the large industrial consumer to the domestic market.

"International competition is attacking the system of cross-subsidisation now, so it is not a question of whether, but when and by how much the change will take place.

"But politically, it is a horrendous problem. It may be that the safety valve for the politicians will lead to a more open regulatory process, so that it can be seen that it is not a purely arbitrary Tory scheme to rape the consumer on behalf of rich industrialists.

"The interesting thing to me about the British approach to privatistation is that no one has thought through the regulatory consequences."

Broadly, he says he is in favour of the British bias towards regulation with a light touch but he adds: "The bias they do not bring to the party is in favour of competition. They say a lot about it, but when it comes to the test — for example allowing would-be competitors to go to the courts — there has not been a great deal of action."

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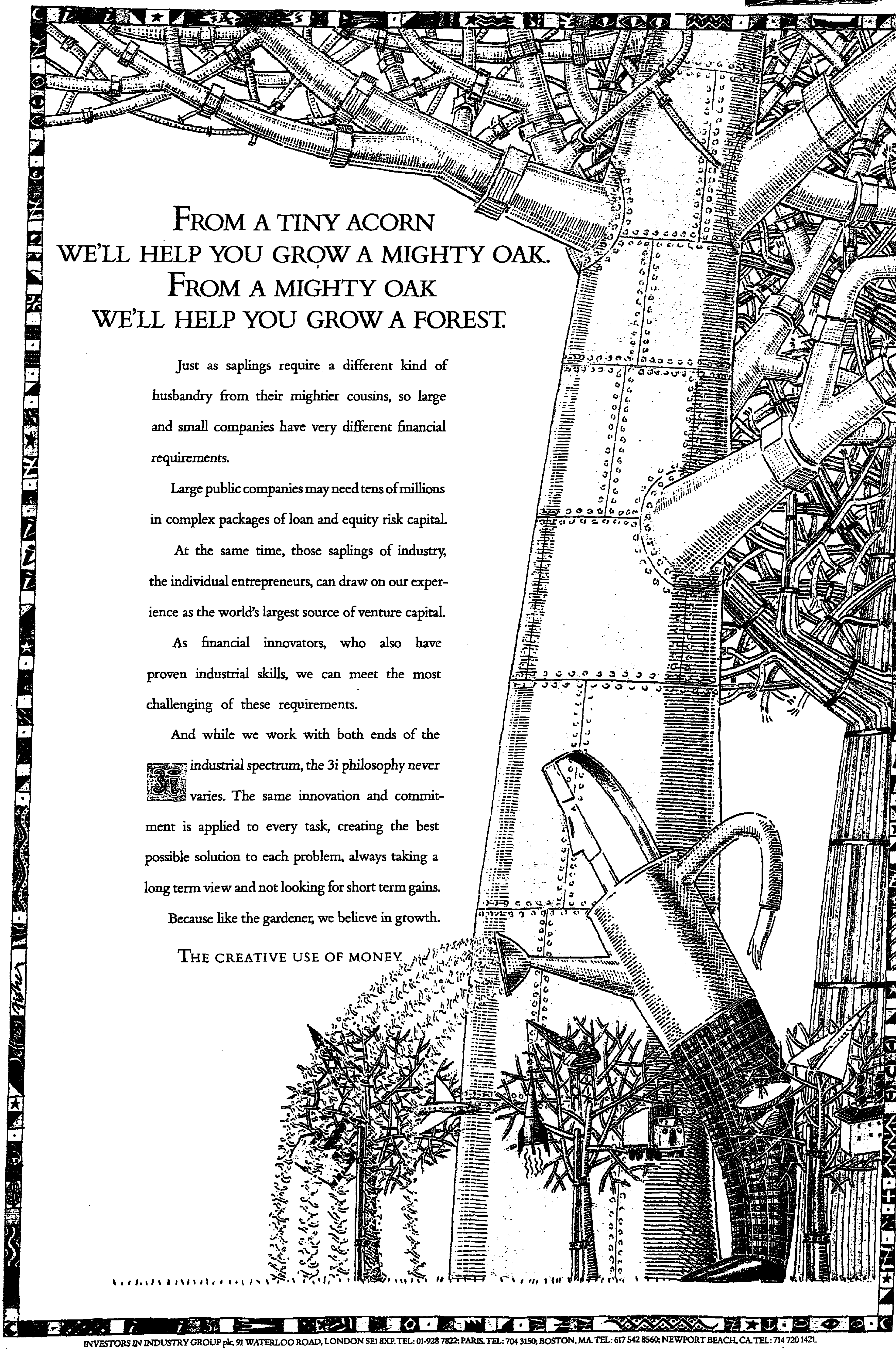

THE ARTS

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Post-war preoccupation

"Martial Law" by Shigeo Ishii

MUSEM OF MODERN ART, OXFORD: JAPANESE ART AFTER 1945—WM. PACKER

Reconstructions is an exhibition of the avant-garde art of Japan in the 20 years after 1945, the period of post-war recovery which only now is being reassessed with any truly objective general curiosity, but which for the Japanese could hardly be of greater or more particular interest in the light of their present position in the world.

In organising and bringing it here the Museum of Modern Art in Oxford has had the active co-operation of the Japan Foundation and the Yomiuri Newspaper Group backed by an admirably long list of sponsors that includes Japan Airlines, the Japan Association of Art Museums, the Kajima Foundation, Kao Company. Sabre International Textiles, Toppan Printing, Yamato Transport, Oxford University and the Visiting Arts Unit of Great Britain. With related exhibitions of *Dada in Japan 1920-1970* and of contemporary Japanese photography, *Black Sun*, and a concurrent festival of the post-war Japanese cinema, *Reconstructions* occupies the Museum's galleries in Pembroke Street until February 9, when it moves on to the Fruitmarket Gallery in Edinburgh for the spring.

Leaving aside for the moment its intrinsic interest and importance, this show could hardly be more valuable or opportune as the necessary and corrective complement to *Toki*, the festival now at the Barbican of the traditional aspect of visual art in Japan today, of which I wrote 10 days ago. Tradition is not always in inevitable opposition to innovation or avant-garde experiment, for each in its way, if only in part, must be the fruit of the same culture. But in a society as instinctively well-ordered and disciplined as the Japanese, in which the individual knows and accepts his place, there is, in art as in so much else, the particular problem of choice and the consequent commitment to a certain mode and practice, school and group. In a time of the most rapid change and development in which that society has suffered extraordinary trauma and inner stress in coming to terms with the modern world, and rising in the process from the position of absolute defeat and foreign occupation to that of spectacular economic power, those traditional values may all too easily be held as a necessary bulwark against too intrusive foreign ideas and influence.

The corollary of this has been, perhaps, a tendency to defer too much in the sphere of modern art to external example at the expense of what has been achieved at home, to see such work in any case as quite unconnected with any truly Japanese experience, and to set it thus aside in its special category, of interest perhaps but little value. To concern oneself in art with the general currency of practice, issues and ideas is necessarily to chose to commit oneself, it seems elsewhere than Japan; yet ever since Japan opened itself to the world with the Meiji Restoration rather more than a century ago, Japanese artists have been coming to Europe and America to work and returning home to build upon the experience.

The work they did, in that earlier period at least, has at last been recognised in recent years as deserving rather more respect than mere historical curiosity, even if it remains too little known abroad. The importance of this exhibition is that similar critical consideration is now being given to the work of the Japanese avant-garde since the war.

The work is full of surprises. Though neither in general nor in particular is it the greatest or most significant of its time, its seriousness of engagement and quality in achievement are evident. It is entirely authentic, not slavish in its references and associations but throughout true to itself. More intriguing still is the chronology, for repeatedly we discover that the preoccupations of a given moment in Europe or America were not so much absorbed and acted upon after an interval as shared. And through it all, as with the work of that earlier outward-looking generation, and in defiance of even national prejudice, comes the essential Japanese sensibility to inform the work, with its pervasive feeling for the emblematic image, the calligraphic statement, ritual performance and execution, and mythic content.

The exhibition does not follow any strict order or chronology but rather divides the work between the figurative and the political on the one hand and the abstract and conceptual on the other. The earliest work is figurative, however, strongly influenced by surrealism and symbolism

Sugimata's infinitely melancholy triptych, *The Dried-Up Spring*, of 1945, says it all, though Furusawa's Daliesque personification of the bomb a little later, in his *Demonic Music*, or Fukuzawa's heaped bodies in *Lost War*, both of them impressive pictures, may command rather more immediate attention.

There follows the New Realism of the 1950s, with the grim grotesquerie of On Kawara's dismembered and deformed bathers. *The Owner of the Fishing Fleet* by Ikeda which is so close to the George Grosz of 25 years before, and the symbolic cityscapes of Shigeo Ishii. But Kikuji Yamashita is the artist who dominates this group, at least in this selection, with his savage collaged *Tale of New Japan*, the bizarre *Tale of Akebono Village*, based upon a newspaper report of murder and suicide in the remote countryside, and *The Struggle of Life*, most direct in its observation of the destitute cripple begging from the poor artisan.

The large gallery is given to abstraction, and then to the Neo-Dada and Hi Red Centre groups of the 1960s, and to performance and conceptual art. Of the abstract artists Saito, Sugai and Imai have the widest international reputations, have always worked independent of any formal grouping and spent long periods abroad: and yet they seem the more unmistakably Japanese of all, especially so in the work of this period.

The most impressive and beautiful wall, however, holds work by members of *Gutai Bijutsu Kyokai*, the avant-garde group that was formed in 1954 and was to last nearly 20 years, acquiring in that time wide international recognition for performances, events and spontaneous and conceptual works of art. The panels here by Shimamoto, which bear the marks of the artist's direct assault upon their fabric yet for all the ripping and tearing look now so calm and elegant, are however rather more seminal than typical, dating from before the group's inception. Jiro Yoshihara's two later gestural calligraphic images are simply the most beautiful. Neo Dada concludes the business with the painting of the Y100 note and the documentation and exhibits relating to the artist Akasegawa's subsequent prosecution for counterfeiting.

San Francisco Opera

Timothy Pfaff

Not quite the "dream season" that was promised, San Francisco Opera's 1985 international season turned out to be, for good and ill, a rather typical one. Except for the absence of both Mozart and Wagner, once De Rigueur here, the season (which ends December 8) went according to a time-tested formula: a sprinkling of modern and seldom-heard operas, produced with great care, interspersed with standard repertory items, star vehicles, and the seemingly obligatory new Jean-Pierre Ponnelle production.

The season's first modern work was Aribert Reimann's Lear (sung in English), in a revival of Ponnelle's 1981 production. The opera itself may not be the masterwork that eluded Verdi and others, but the San Francisco company presented it as though it were, with breathtaking results. Ponnelle's designs and dramaturgy, an integral part of the work almost from the beginning, seemed, for once, in accord with the music. The stripped-bare playing area, exposed stage machinery, and elemental action—all irradiated by Thomas Munn's brilliant, and disturbing, lighting—conspired to produce gripping music-theatre.

Striding that desperate landscape was the strongest *Lear* cast imaginable today. In his towering portrayal of the magnificently declining king, Thomas Stewart worked at an intensity that seared scores of indelible images on to the memory, wedding word to note to gesture as only master singers do. Intersecting his downward trajectory were David Knutson's hauntingly sympathetic Edgar, Helga Dernesch's thunder-clap Goneril, Anja Silja's laser-shrill Regan, and Chester Ludgin's wrenchingly pathetic Gloucester. Sheri Greenawald's Cordelia was as heart-rending as it was expertly sung. The early cancellation of conductor Gerd Albrect dealt the season its most serious single blow, but Friedemann Layer's intimate knowledge of the score resulted in a vivid, propulsive reading, at once lucid and theatrical.

The ill-fated revival of Ponnelle's 1972 *Tosca* could hardly have pleased the faithful subscribers it plainly was meant to. Seemingly endless revivals later, the production

Not quite the dream season that was promised, San Francisco's 1985 international season turned out to be a rather typical one

has lost almost all of its immediacy, let alone controversy. The Tosca and Cavaradossi, Maria Slatinaru and Giuseppe Giacomini, seemed to be singing, none too well, in different operas. Even James Morris, as Scarpia (his first), was unable to break out of the pall that shrouded the whole production. In such poor company, his somewhat under-characterised Police Chief emerged almost likeable, and his singing, while true, seemed needlessly inhibited. Carlo Felice Cillario's lax conducting ensured that no one on either side of the pit got too caught up in the familiar drama.

Absent from the San Francisco stage since 1970, *Falstaff* returned, cleverly disguised, in a frenetic new Ponnelle production, based on his Glyndebourne production but at nearly twice the scale. As it happened, the combined scale and frenzy of the production all but blocked Verdi's great twilight comedy from view, the composer's genius eclipsed by the director's precocity.

Those who came to savour Verdi's supreme operatic achievement were left to amuse themselves with the increasingly tedious game of spotting Ponnelle mannerisms. All were on display in the new *Falstaff*—the running water, the shadows, the graffiti, even the spoofing of the clergy—as well as the director's latest: a literal turning up of the lights on the celebrations of man's baser nature. About the time the "Burla" of the famous final fugue began sounding like a rather cruel joke, the lights came up for the cast to sing "Tutti Gabbati" in tones of high derision, pointing accusingly at the paying public (which, for its part, seemed thrilled about it).

So much for the humane, compassionate, universal comedy one long thought Falstaff to be. In its place San Francisco now has a meanness and anger.

Some impressive individual performances rose above the hurly-burly. Most notable among them were Ingvar Wixell's masterfully sung, pointedly enacted Falstaff (his first); Marilyn Horne's sumptuous yet scintillating Quickly (her first); Ruth Ann Swenson's radiant Nannetta and Susan Quittmeyer's sheerly perfect Meg. Conductor Maurizio Arena contributed a lean, driven account of the score, perfectly matched to Ponnelle's reading but loth to savour the score's endless riches and delights.

The other new production, of Handel's Orlando, clearly was intended as a tercentenary tribute. Ironically, what reached the stage was a bald attempt to "sell" an opera Winton Dean called "musically . . . perhaps the richest of all [Handel's] operas" to an audience obviously pre-judged as unwilling to "buy it on its own terms." In his sleek new production, John Copley seemed determined to distract his audience from both music and libretto as much as possible.

The very overture became the occasion for a confusing pantomime, in a canopy bed, effectively transforming the opera into "The Dream of Orlando" From that point, not a single number in the long opera (played with minimal cuts) went by without "embellishment" by some kind of sight gag. In perhaps the most cynical

Those who came to savour Verdi's supreme operatic achievement were left to amuse themselves with the tedious game of spotting Ponnelle mannerisms

of them, Dorinda pointed up to one of the much-vaunted new supertitles to call attention to a joke spelt out there.

If Copley's production misrepresented the piece, John Pascoe's hideous sets all but camouflaged it. Only the truly wondrous underworld sequence summoned up the fabled magic in the opera; the other "special effects" seemed cheap, modern and obvious, good for a laugh.

The *coup de grace*, however, was delivered by Sir Charles Mackerras. The conductor, so laudable in other repertories, persisted in his habit of beating out Handel in rhythms both turgid and rigid, denying the music all opportunity to breathe and bloom, let alone become magical. Surely this was the first Orlando in history to find himself straitjacketed, musically, even before his mad scene began.

Jeffrey Gall, as Medoro, and Miss Swenson, as Dorinda, made laudable attempts at expressive singing but were thwarted at every turn by Mackerras's inflexibly eadth-bound beat. Horne, who managed some impressive pianissimi in her third-act sleep aria, rode roughshod over most of the rest of the role (particularly the heroic coloratura), and was risible in her mad scene.

The season-opening *Adriana Lecouvreur*, a showcase for Mirella Freni's first assay of the title role, found the soprano in hypnotically beautiful voice. A mid-season Werther featuring Alfredo Kraus reaffirmed not only that he retains one of the best-preserved instruments in the business, but also, of course, that this refined interpreter remains nonpareil in his signature role. Bliss Hebert's sensational *Turandot* (with gaudy sets and costumes by Allen Charles Klein) was brought back for Eva Marton, who sang the title role with cool precision but skirted the problem of its interpretation by volunteering none.

For its season ender, the company consolidated all of its artistic strengths for an arresting revival of Britten's *Billy Budd*, on this occasion incisively directed by Basil Coleman. This revival, unflinching in its musical investigation of its several uncomfortable subjects, was in almost every respect an improvement over its 1978 predecessor. Dale Duesing, the pre-eminent Billy of our time, gave a performance as fresh as it was stirring, and James Morris out-Scarpia-ed Scarpia with his chilling, formidable Claggart. After a wholly unacceptable first outing in the part of Captain Vere, James King grew steadily into an important exponent of the role. Raymond Leppard turned in the finest conducting of the season, vivid, precise, pictorial, and all but unbearable in its sustained tension.

Stephanie McCallum/Wigmore Hall

David Murray

Like her one-time teacher Ronald Smith, Miss McCallum cultivates the hyper-virtuoso piano music of Charles Valentin Alkan, whose *Trois grandes études* occupied half her recital on Friday. Her whole programme was bold and fresh, starting with a recent piece by her fellow Australian Nigel Butterley, and proceeding to Weber's C major Sonata — the one with the "Moto perpetuo" finale — by way of the brilliant Sonata in D, K 576, of Mozart. Her special strengths are her clean, muscular technique and her confident grasp of extended musical wholes; she is a bit self-denying about local graces.

Miss McCallum's Mozart was therefore efficient (granted an oddly slow and hefty Allegro) and short of charm, despite a thoughtful Adagio. Her Weber was more than efficient, for it had an apt dramatic flair, and yet she rarely took advantage of the opportunities in particular passages to sharpen a personal note. There is, for example, more humour in the Sonata than she brought out anywhere. The "Moto perpetuo" was nevertheless exhilaratingly speedy and sure. She sounded utterly sympathetic in Butterley's *Uttering Joyous Leaves* — the phrase is from Walt Whitman — and its deft, fluttery piano-writing: a very good piece, concisely expressive, that made one resolve to seek out more of Butterley's music, admired in Australia but scarcely known here.

Her Alkan set amounted to a *tour de force*, as it must do. A small rash of finger-slips did no serious harm to the second *étude*, a 20-minute Introduction, Variations and Finale for the right hand alone, since a sense of rounded purpose informed all of it. In her immensely capable hands, both the outer *études* made great impressions: the first a florid "Fantaisie" for left hand alone, the third—by an ingenious stroke—uniting both hands strictly (like the Finale of Chopin's B-flat minor Sonata), two octaves apart in racing semiquavers. Alkan's pianism was madly professional and intricate (no lover of the Romantic piano should be unfamiliar with it, for it carries a certain ideal of the instrument to a magnificent extreme); the only fault in this set is the plain gratuitousness, here and there in the first two pieces, of making one hand do what two could do more fluently.

Giles Swayne/Purcell Room

Richard Fairman

This recital, given on Saturday evening, ended with a part première. Giles Swayne's *god-song*, due to be completed in 1986, will consist of 35 miniature movements, each using its own eight-note mode or scale and covering all the possible combinations that can be had from five solo performers. Its first five little movements are now complete and we heard these as an interim report.

In many ways the piece looks as if it may turn out to be a tiny offspring of Stockhausen's gargantuan *Licht*. It deals with Creation and Time; it has Lucifer represented by an alto trombone; and Adam and Eve are created in its fifth variation. It also—more importantly—shares with *Licht* a determination to have a rigorous intellectual base in its use of variations, modes and scales, and combinations of instruments as its structure.

There is a gulf in style between this and the song-cycle *The Good-Morrow* (1971), which was performed just before. The earlier piece dates from the period in which Swayne was a pupil of Nicholas Maw and it has much the same kind of post-romantic richness, not least in the sensuous accompaniment of the central song. It was a shame that Jaqueline Fox, the mezzo, did not bring to it a greater warmth of tone.

Just how close this work was to his teacher's style was shown by juxtaposition with Maw's own *The Voice of Love*, a song cycle with a dene and almost exotic lyricism. The mezzo Linda Hibberd put across its striking texts with plenty of life, but had to put up with some unhelpful work at the piano. Swayne as accompanist is not as welcome as Swayne as composer. His playing bore only a passing resemblance to Maw's score.

Vocal items by Purcell and Handel made up the programme in the same vein: Linda Hibberd, well prepared and incisive, as soloist, but Swayne on harpsichord and cello continuo Julia Vohralik sloppy, clumsy and unvaried in support.

Jack and the Giant

Charlotte Keatley

Trevor Peacock's reworking of *Jack and the Beanstalk* for the Royal Exchange, Manchester, gives us a child's eye view of magic. Peacock recognises, quite rightly, that this is a quality which emanates as much from a step ladder turned magic tower by Jack and his girl playmate, or from Jack seeing his own shadow turned giant in his back-yard, as from dreams brought alive by conjurors, a high-tech beanstalk of glittering lights and ladders, and fabulous beasts with scales prowling the stage.

Staging in the round is particularly effective for sound: the Giant arrives like a thunderstorm on feet. Chris Monks's music is inspired by Cajun (French Canadian street musicians who absorbed Deep South rhythms); the result, played by a band who span squeezebox to synthesiser via tambourine, is a blend of fairground and folk dance with eerie electronic effects. The lyrics articulate the wide-eyed expectancy of a child setting out on a journey which, make no mistake, represents Life.

While Peacock understands beautifully how to enthral children he can't resist interfering as an adult and spelling out the subconscious symbolism of the fair-tale: a moral journey made by a small boy who develops, through fantastical adventures, into a self-aware, even sexual young man who has made a choice for Good (he releases the Bird of Happiness) over Evil (he slays the Giant) and is thus catapulted into adulthood, which Peacock defines as a personal moral victory. (I only wish it was true that all adults have fought their moral battles and won). Now I'm sure that children don't need to be spoon-fed the meaning of metaphors — their sense of reality is constantly expressed through games, after all — and the magic of this production which works through stimulating our imagination, is diminished when the script unwraps the hidden meanings instead of enticing both adults and children to unwrap the layers themselves.

The Royal Exchange is stunningly good at creating the atmosphere of fantasy and magic without resorting to superficial tinsel effects. Director Mervyn Willis and designer David Short had me gasping and shrieking with delighted terror as winged statues came alive and the Giant's head swung through one entrance while his gleaming black fist shot through another and plucked his wife off the stage.

Jason Watkins as Jack reminded us that magic is in the eye of the beholder. He succeeded in evoking non-twee childhood, anorak askew and eyes popping, appealing to us to share his sense of wonder.

Saleroom/Antony Thorncroft

Suspect vases find buyers

Sotheby's sale of antiquities yesterday took place in a glare of publicity. This is usually among the most specialist and erudite of markets but a row erupted over the origin of a group of six Apulian vases, produced around 400 BC from among the Greek colonies in southern Italy.

It was alleged that the vases had been recently looted from graves in the region. The British Museum's expert, Brian Cook, expressed doubts about their legitimate provenance: there were rumours of an illegal export route through Switzerland. Sotheby's was asked to withhold the vases from the sale so that their origin could be investigated.

In the event Sotheby's stuck to its guns and all six vases found buyers yesterday. One, probably depicting Oedipus, sold for £22,000, twice its estimate, to a private collector who also paid £11,000 for an amphora decorated with a nude young warrior. A third sold for £9,350.

But although Sotheby's faced down its critics in this auction it has agreed to change its procedures in future sales. It has asked the Italian authorities to send it photographs of any items that are believed to have been removed without authority from archaeological sites, and, in turn, it will send to Italy photographs of Apulian vases consigned to it for auction. If Sotheby's receives any evidence of malpractice it will withdraw items from its future sales.

The antiquities sale had its highspots, totalling £898,150 with 20.4 per cent unsold. An Attic black figure amphora, attributed to the Bucci painter and dated to the last quarter of the 6th century BC, did well at £104,500 and a silver bowl from central Asia, probably Bactrian of around 250 AD, also sold, at £88,000, to the London dealer Mahbourbian.

An amethyst coloured mosaic glass bowl, around 100 BC and from the eastern Mediterranean, doubled its estimate at £57,200: it was sold by the Corning Museum of Glass of New York. Part of a Roman marble torso of a youth, 1st century AD, went for £46,200, and Robin Symes, of London, bought a Cycladic marble figure, of around 2500 BC, for £35,200.

Christie's did well at its weekend Monte Carlo sales, bringing in £6,672,124. The highlight was the £1,072,934 paid for a Louis XVI marquetry commode made by J-F Leleu and probably part of the furniture of Versailles. Sir Charles Clore bought it at the Ojjeh sale at Sotheby's in 1979 for £461,538. All told the auction of the Clore furniture totalled £4m, half of which will go to Jewish charities.

A pair of early 17th century French bronzes of King Henry IV and his wife Marie de Medicis sold for £829,086, and another exceptional price was the £175,571 paid for a pair of Louis XVI Sèvres vases, also from Clore.

Theatre to become bingo hall

Coventry Hippodrome, one of the oldest theatres in the West Midlands, recently renamed the Apollo, is to close and reopen as a bingo hall.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Dec 6–12

Opera and Ballet

WEST GERMANY

Berlin, Deutsche Oper: This week's highlight is Tristan und Isolde starring Katarina Ligendza, Spaas Wenkoff and Martti Talvela. Hänsel und Gretel features Janis Martin and Ruthild Engert. Madame Butterfly, sung in Italian, has Yoko Watanabe excelling in the title role. Also Der Barbier von Sevilla. (34381).

Hamburg, Staatsoper: Händel's Belsazar conducted by Gerd Albrecht has Helen Donath, and Walter Raffeiner. The rarely played Intolleranza by Luigi Nono has fine interpretations by Gabriele Schnaut and William Cochran, Boris Godunow, offered in a concert version, features Kurt Moll, Walter Raffeiner and Marjana Lipovsek. Arabella brings together Olive Fredricks, Gundula Janowitz, Cornelia Wulkopf and Wolfgang Schöne. (351151).

Frankfurt, Opera: Premiering this week is Das Rheingold, produced by Ruth Berghaus. Conductor is Michael Gielen with Barry Mora, Heinz Zednik, Gail Gilmore and Paula Page in the main parts. Don Giovanni has Wolfgang Schöne in the title role. Die Verkaufte Braut returns. (25621).

ITALY

Milan: Teatro alla Scala: Season opens with Aida conducted by Lorin Maazel, in Luca Ronconi's production. Luciano Pavarotti sings the role of Radames. (809126)

Rome: Teatro dell'Opera: Un Ballo in Maschera conducted by Gianluigi Gelmetti. Production, scenery and costumes by Sylvano Bussotti. (461755).

Florence: Teatro Comunale: Manon Lescaut with Mirella Freni, conducted by Maurizio Arena. Production, scenery and costumes by Pier Luigi Samaritani. (2779236)

Trieste: Teatro Comunale: Russalka by Dvorak conducted by Gianfranco Masina and directed by Peter Werhahn. (631948).

Turin: Teatro Regio: Richard Strauss's Il Cavaliere della Rosa conducted by Milan Horvat and directed by Peter Busse. (548000)

LONDON

Royal Opera, Covent Garden: La nozze de Figaro, in the much-revived John Copley production, returns with its original conductor, Colin Davis, and an interesting new cast led by Yvonne Kenny, Anna Tomova-Sintov, Jonathan Summers, and Patrick Raftery. Last performances of the current Fanciulla del West run, illuminated by the heroine of Mara Zampieri and the conducting of John Mauceri. (2401066).

English National Opera, Coliseum: the latest attempt at a big-house ENO Don Giovanni is by Jonathan Miller; Mark Elder conducts, and the cast is led by William Shimell, Richard Van Allan, Josephine Barstow, and Felicity Lott. Further performances of Orpheus in the Underworld and Katya Kabanova. (8363161).

PARIS

Palais des Congres: Roland Petit and Marseilles' National Ballet present Puss in Boots animated by Roland Petit's unfailing imagination and enthusiasm (42662075) from 2pm-5pm). Ends Jan 5.

Opera: The Siege of Corinth alternates with Gounod's Romeo and Juliette conducted by Maximiano Valdes with Juliette sung by Ana-Maria Gonzales, Stefano by Marie-Christine Porta and Romeo by Alfredo Kraus. (42665022).

NETHERLANDS

The Nederlands Dans Theater on tour with Uccelli and Converge by Nacho Duato, and Kylian's Wiegelied. Tue in Eindhoven, Schouwburg (111122), Wed in Utrecht, Schouwburg (310241), Thur in Arnhem, Schouwburg (222741).

Amsterdam, Stadsschouwburg. The Netherlands Opera production of Britten's Turn Of The Screw (in English), directed by Rhoda Levine and designed by John Conklin. The Netherlands Philharmonic under Bruce Ferden, with Helen Field as the governess, James Lewis and Dominic Martelli as Miles, and Emma Stuart and Juliette McCloig as Flora (Tue, Thur). (242311).

SPAIN

Barcelona, Gran Teatre del Liceu: Boris Godunov, includes Matti Salminen and Marijka Hendriks. Sant Pau 2. (3189200).

VIENNA

Staatsoper: The Magic Flute with Mathis; Il Trovatore, Fidelio with Jones, Mathis, Kollo, and Sotin; La Bohème conducted by Zedda; The Flying Dutchman conducted by Schirmer with Vejzovic, Slania, Sotin; Jenufa conducted by Schwarz. (5324/2655).

Volksoper: Hänsel and Gretel; My Fair Lady; Britten's The Beggar's Opera; Lehar's Das Land des Lächelns; Dostal's Die Ungarische Hochzeit. (5324/2657).

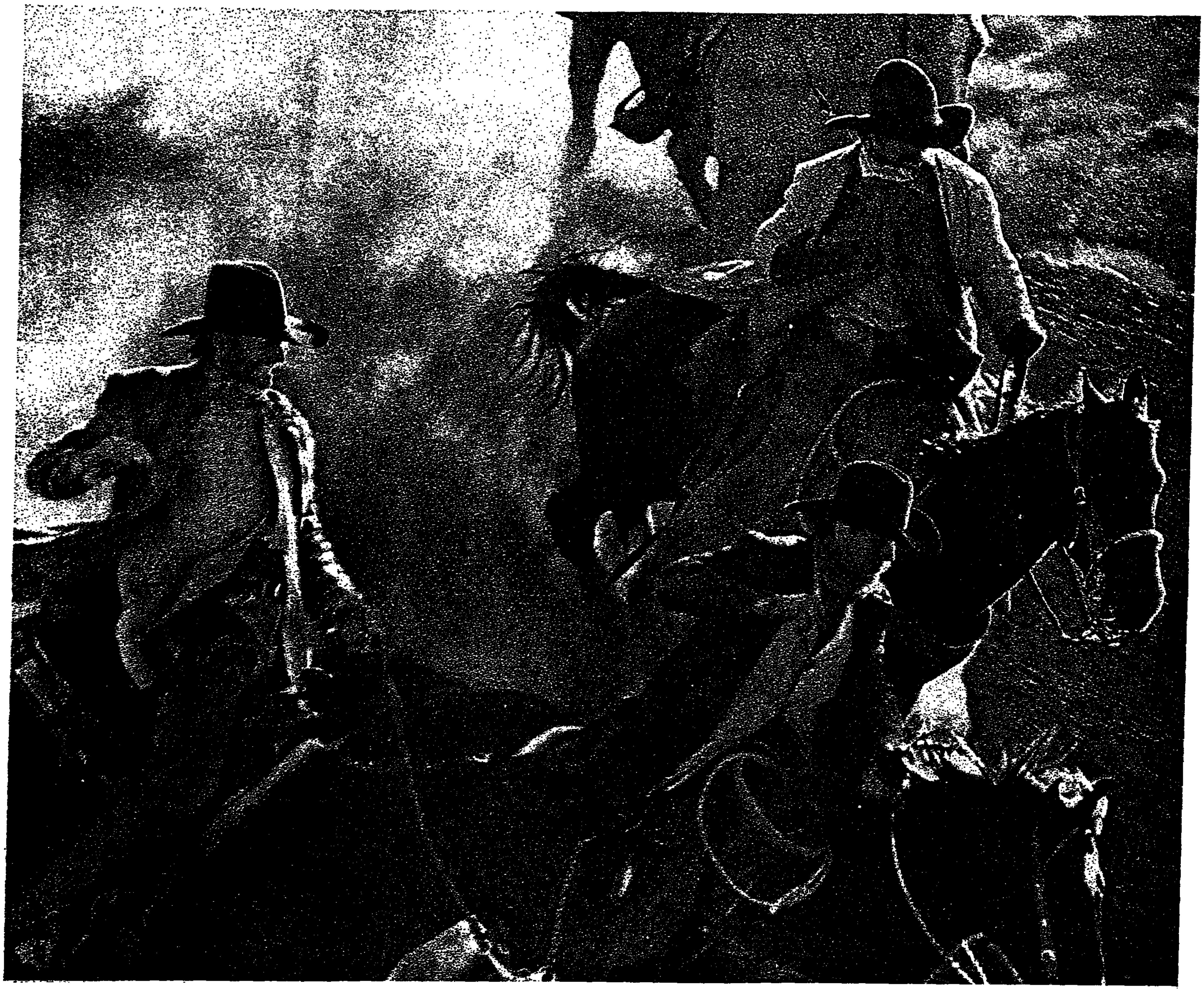
NEW YORK

Metropolitan Opera (Opera House): The week features the first seasonal performance of L'Italiana in Algeri conducted by James Levine with Marilyn Horne and Roberta Alexander, which joins the repertory of Satie's ballet Parade, Poulenc's Les Mammeeles de Tiresias and Ravel's L'Enfant et le Sortileges, in an evening called Parade. Also the premiere production of Jean-Pierre Ponnelle's Le Nozze di Figaro conducted by James Levine with Kathleen Battle as Susanna and Ruggiero Raimondi as Figaro. The week also includes Cavalleria Rusticana with Hildegard Behrens and Pagliacci with Placido Domingo, as well as Porgy & Bess. Lincoln Center. (3626000).

Dance Theater Workshop: The invitational Border Crossings celebrating the venue's 20th anniversary continues with Fresh Tracks, a choreographers' showcase (Tue). (219 W. 19th St. (9240077).

CHICAGO

Lyric Opera (Civic Opera House): The 31st season includes Otello starring Margaret Price, William Johns and Sherrill Milnes, conducted by Bruno Bartoletti and staged by Antonello Madau Diaz. Also Madame Butterfly with Anna Tomowa-Sintow in the title role, conducted by Miguel Gomez-Martinez, as well as Samson, Anna Bolena, La Traviata, I Capuleti et I Montecchi, Die Meistersinger and La Rondine. (3322244).



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Tuesday December 10 1985

MPs call for information

THE BACKBENCHERS of the *House of Commons are not* very pleased with the Chancellor's Autumn Statement, and with some reason. The all-party Treasury Committee deplores the Treasury's deliberate withdrawal of information offered in earlier years about forecast government revenues and the *implied scope* for tax or spending adjustments. It complains that the official statement of monetary policy has become quite evasively vague, and the *medium-term financial strategy*, the supposedly fixed star of the economic firmament, now looks fudged; the Government has embarked on a modest reflation, financed by *asset sales, but* refuses to admit it. Finally, while admitting the Treasury's impressive forecasting record, the committee finds the official forecast for 1986 hard to swallow.

The economic analysis offered here will not cause *much stir in the* business world because it closely mirrors the consensus of the financial markets. The rise of £2bn in projected government spending *and the matching rise in* planned asset sales are matters of record. Monetary policy is a technical puzzle although its broad objective to resist cost push seems clear enough; so far as the short-term forecasts are concerned the Treasury team probably deserves the benefit of the doubt. It is the policy points behind these criticisms which are important.

Good record

There are three quite separate issues raised in the report though this is not always clear. The first is information for parliament—what the *committee discusses as the "green* budget" issue; the second is clear information for markets; the third, more outspoken in the evidence of the consultants *than in the committee's all*-party draft, is the merits of the Government's actual strategy.

On the green budget issue, the committee seems to be fighting a praiseworthy campaign but on questionable ground. It is certainly desirable that changes in the structure of taxation should be thoroughly debated rather than produced like rabbits out of the Chancellor's Budget Day hat. There *is no strong* reason why the initiative for reform should invariably come from the Treasury. The Government has, on the whole, established a good record of *demystifying the* Budget, with the glaring exception of the drastic change in the tax treatment of capital investment 18 months ago.

What has been lacking has been a similar discussion of large strategic questions—how policy should respond, for example, to the rise and forecast decline in North Sea production, to a sudden change in oil prices, or to the expected growth of the labour force: in other words, for making the medium-term strategy responsive to medium-term realities. These forecasts are much more important, and can be made *more accurately*, than the notoriously unreliable forecasts of the difference between revenue and expenditure which have now been suppressed.

Best point

It does not seem likely that the markets will miss these forecasts much either, except as a source of amusement. Commercial forecasters will continue, as before, to make their own estimates of the Chancellor's likely Budget judgment as the year passes; they never did take the figures in the Autumn Statement, based on information long out of date, very seriously. It is not fiscal but monetary policy which can usefully be set out to inform the markets. The real question here is whether the comfort of a managed float is the best available compromise, or whether the Government should take the management risks implicit in adopting a declared target with*in the EMS*.

Finally the Treasury's own forecast, even if it does raise broader questions than whether or not it is a good *guess—which cannot* very usefully be discussed in advance. Here by far the best point is made not by the committee, but by one of its advisers: if the forecast is right about consumer incomes and therefore about earnings, it has implications for competitiveness which suggest a very poor outlook for 1987. The Chancellor seems to have noticed this too.

Cyprus after the elections

PRESIDENT Spyros Kyprianou has emerged as the victor of the parliamentary elections in the Greek portion of divided Cyprus. On the face of it that represents a setback for the United Nations initiative designed to bring about a permanent and stable settlement between Turkish and Greek Cypriots. Paradoxically, however, the strong advance of Mr Kyprianou's Democratic Party may have the opposite effect, even though the President has acquired the reputation of being a hardliner in the dispute with the Turkish community and its backers in Turkey proper.

The reason for saying so is *that the voters have* taken the wind out of the sails of a curious alignment of communists and conservatives who have been trying to hound President Kyprianou out of office. Their chances are greatly diminished by the outcome of the election, and, probably eliminated. The President, therefore, can deal with what Greek Cypriots consider the national question without constantly having to guard himself against attack from the rear.

Serious risks

The communist Akel party and the conservative Demo*cratic Party of Mr Glafkos* Clerides each had its own motives for demanding greater flexibility on the national question. Akel, in the interests of *Moscow, wanted a settlement* producing a clearly non-aligned federation of Cyprus instead of the present situation in which the two Cypriot communities retain close *links* respectively with Greece and Turkey—both of them Nato members.

Mr Clerides's rally took to the UN *plan* for a bizonal confederation when it received the backing of the Americans. Washington is afraid that the present unstable state of affairs *in the island holds serious* risks, including even that of a clash between two of its allies, Greece and Turkey.

Thus President Kyprianou's opponents were not only ill-assorted on the grounds of ideology. Their alliance in the national question rested upon rather shaky foundations. The electorate may have sensed that when it swung to the President on Sunday.

Voters had other reasons for doing so. Greek Cyprus—in contrast to the Turkish North—has prospered economically and Greek Cypriots had every reason to show their gratitude at the ballot box. That aside, politics in Cyprus is as often determined by personal animosities and ambitions as by the larger questions.

It would be unwise to construe the outcome of the election as clear cut support for one *or the other approach to the* national question. That is true in *particular since* President Kyprianou has modified his position since last January when *—unlike the leader of the* Cypriot Turks, Mr Rauf Denktas —he rejected the UN plan as it then stood.

Endorsement

Mr Perez de Cuellar, the UN General-Secretary, has since altered the plan in some details, *permitting Mr Kyprianou to* hold out the prospect that he will accept it, while the Turkish side now demurs. In its new guise the plan would make it *less easy for either* community in a confederation of Cyprus to block all movement. But it has not solved the key question of whether Turkey is to be allowed a continued military presence on the island.

Athens would find that unacceptable and Greek Cypriot opinion, too, would find it hard to concede. It would, moreover, amount to a retrospective endorsement from the international community, as represented by the UN, of the results of the Turkish invasion of Cyprus in 1974. Granted that Athens at the time provoked the invasion by its own intervention in *Cypriot affairs*, such recognition would be repugnant.

Given these complications, the chances of a durable settlement in Cyprus are not rosy.

On grounds of *Realpolitik* it might even be argued that it is best to leave things as they are: after all the *de facto* division of Cyprus has lasted for over 10 years and, in the Aegean, Greece and Turkey have not come to blows in spite of repeated crises.

But the world can ill afford a potential source of a instability in an area as sensitive as *the eastern Mediterranean*. There is a need for statesmanship from all concerned. The elections have put Mr Kyprianou, for one, into a position where he can show whether he is able to rise to that challenge.

The telecommunications industry

Europe's struggle to make up for lost time

By Guy de Jonquieres

WHENEVER Western European policymakers have wanted to console themselves over their industries' failure to keep up with the US and Japan in high-technology, they have held up telecommunications as a beacon of hope. *There, it seemed, was* a chance for Europe to make a real impact.

European companies have captured more than a quarter of the $60bn world market for telecommunications equipment and can boast a long string of technical achievements, notably *in the development of digital* public telephone exchanges. In contrast to their mounting trade deficits on computers and microchips, EEC countries collectively enjoy a trade surplus in telecommunications.

But Europe's advantages are dwindling fast. Handicapped by small home markets and inadequate economies of scale, many of its leading telecommunications companies are struggling to survive against increasingly *severe competition from* powerful American and Japanese rivals such as American Telephone and Telegraph and NEC.

Belated recognition of Europe's vulnerability has unleashed a wave of government-backed industrial restructuring in country after country. In France, the telecommunications businesses of Compagnie Generale d'Electricite (CGE) and Thomson, the country's two largest electronics companies, were brought together in 1983 in an attempt to create an internationally competitive group.

In Italy, agreement was *reached last month to merge the* two leading telecommunications equipment suppliers, Italtel and Telettra. And in Britain the General Electric Company *(GEC) and Plessey, the two* manufacturers of the System X electronic telephone exchanges, are engaged in a merger battle.

However, many of these moves look like desperate attempts to keep leaky vessels afloat than to regain decisively the initiative on world markets. Mrs Marisa Bellisario, managing director of Italtel, admits that unless her company can achieve a much stronger international base in the next five years, its *survival* will be in doubt.

In France, according to Mr Jacques Darmon, who has served both as a senior government official and an industry *executive, the position is equally* grave. "If our frontiers were suddenly opened, our industry's potential would collapse because it would be unable to meet *head-on* competition from its main international rivals." he writes in a new book on telecommunications.*

The deepening crisis has triggered a scramble to line up international alliances. A bewildering flurry of discussions is going on both between European companies and with North American groups including AT&T, which has already forged links with Philips, the large Dutch electrical and electronics group, and Olivetti, Italy's leading office products supplier.

The underlying weaknesses of much of Europe's telecommunications indsutry were spelt out clearly in a report to the EEC *Commission two years ago* by Arthur D. Little, the American management consultancy and market research firm. It found that:

- *European manufacturers'* share of world markets largely reflected the protection of their home markets by government monopoly purchasers (PTTs).
- *European equipment sales* overseas were mainly to Third World countries, many of them troubled by debt problems, while the EEC's balance of telecommunications trade with North America and Japan was deteriorating rapidly.
- EEC investment per capita in telecommunications equipment was barely a third of the level in the US and demand for advanced telecommunications services was growing far more slowly.
- EEC telecommunications *companies' sales and research* and development spending per employee were much lower than those of their main US and Japanese competitors, which *were also technologically* more advanced in many key areas. Moreover, EEC companies had dissipated research spending through pointless duplication of products.

Since the report appeared, the going has got even rougher. British Telecom, which was privatised last year, has been driving a much harder bargain with traditional suppliers such as GEC and Plessey. In France, there has been a sharp drop in public exchange orders, which have long provided manufacturers with their fattest profits.

Furthermore, an aggressive new competitor is emerging in *the form of International* Business Machines, the dominant supplier of computers in the US and Europe. IBM has said it wants to double the size of its telecommunications revenues in Europe in the next five years and may enter the digital public exchange business.

These grim prospects have helped to revive hopes of creating an all-European alliance of manufacturers, able to command the economies of production and market scale which individual suppliers can no longer achieve on their own. The focus is on efforts to construct links between GEC and Plessey in Britain, CEG in France and Italtel/Telettra in Italy.

Such an initiative faces formidable obstacles, however, not least because it would exclude Siemens of West Germany and Sweden's L. M. Ericsson, which has sold digital exchanges in 61 countries. These are the only European telecommunications suppliers *which look able to* bargain internationally from a position of industrial strength.

Siemens, which had total sales of DM 46bn last year, *accounts for* almost two-thirds of output by the West German electronics industry. But it is openly dismissive of proposals for an all-European strategy and is pinning its hopes on the US market. It is spending $200m to try to *sell* public exchanges there and is the first European company to win an order from a Bell regional company. It is also in advanced talks on collaboration with GTE, the second largest US telephone operating company.

Though authorities in Paris support proposals for a European alliance, the state-owned CGE seems much less sure. It appears more interested in collaborating with AT & T, though the French government has prevented it from making a deal so far.

Even if the British, French and Italian groups could agree on a framework for a "Left Bank of the Rhine" alliance, implementing it would pose a major management challenge. All the companies make rival but technically different product ranges, which would be hard to integrate into a single operation.

Rationalisation would require *severe capacity reductions*—CGE alone is already estimated to have 10,000 staff more than it needs, while its telecommunications production is scattered *inefficiently* between five plants. Agreeing on who should make cuts, and where, would demand an exceptional talent for compromise among companies long accustomed to being pampered by their national governments.

The dangers of discord were vividly demonstrated by the Unidata fiasco in the mid-1970s. That attempt to merge the leading French, West German and Dutch computer companies into a single European group dissolved amid bitter recriminations *after only* 18 months.

The biggest problem of all, though, would be to overcome the rigid trade barriers between *EEC markets* which have kept Europe's telecommunications industry fragmented. So far, only Britain has opened its market to wide international competition, though *several other* countries including France and the Netherlands have recently begun to consider liberalisation *measures*.

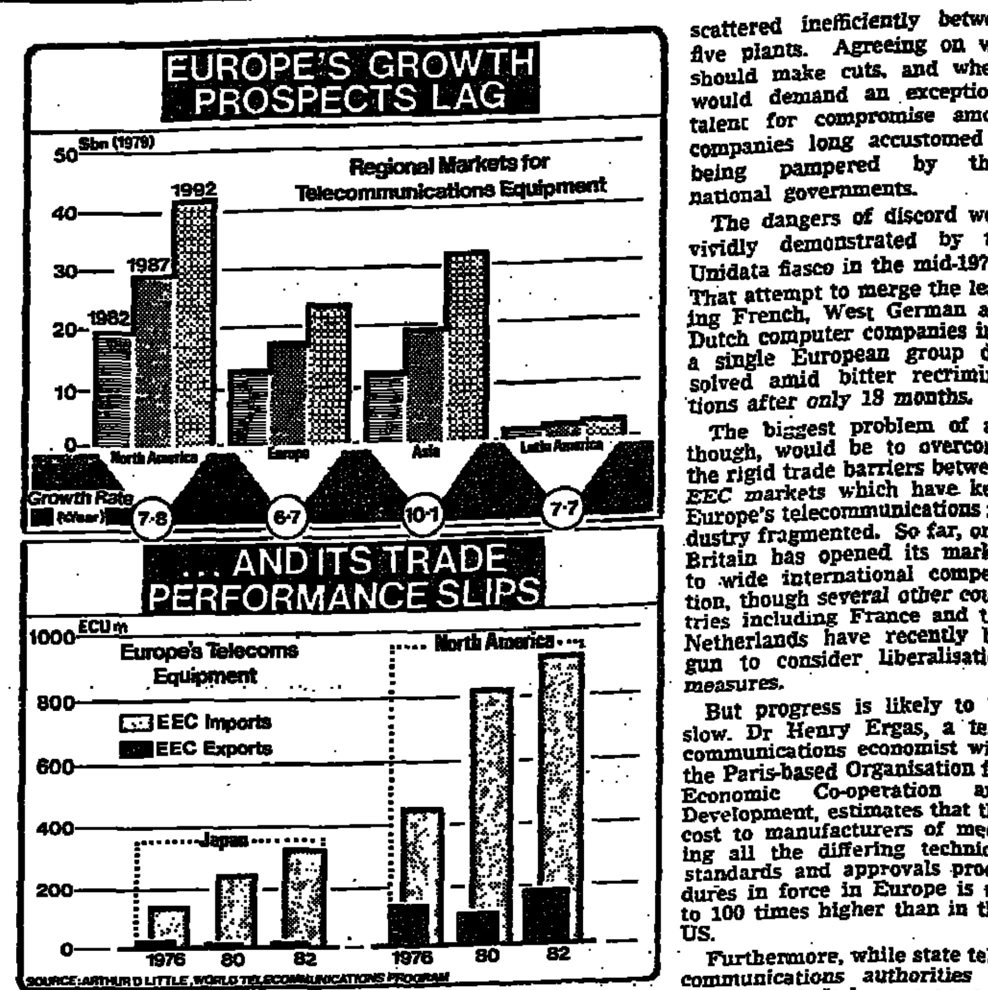
But progress is likely to be slow. Dr Henry Ergas, a telecommunications economist with the Paris-based Organisation for Economic Co-operation and Development, estimates that the cost to manufacturers of meeting all the differing technical standards and approvals procedures in force in Europe is up to 100 times higher than in the US.

Furthermore, while state telecommunications *authorities* in France and Italy appear prepared to support a pan-European manufacturing initiative with public orders, the privatisation of BT prevents the British Government from offering similar backing. BT, for its part, remains studiously noncommittal.

Ironically, many European suppliers believe that the future of ITT of the US could provide a key to unlocking some of these problems. *ITT's telecommunica*tions business has long been based on this side of the Atlantic, and it operates in more European countries than any of its local rivals.

The company is now gambling its future on an effort to enter the US public exchange market. So far, it has won only a few small orders there and industry analysts believe the next year will be make or break. If ITT failed and were forced to sell *off or seek* partners for its many European subsidiaries, the resulting carve-up could create an unprecedented opportunity for indigenous European suppliers *to enter each other's markets*.

* *Le grand derangement: la guerre du telephone. Published by J. C. Lattes.*



THE MANUFACTURERS

Company ($m)	Switch	Total group sales	Public switching
Alcatel (France)	E10/M20	1,800	800
Ericcson (Sweden)	AXE	3,700	850
GEC (UK)	System X	7,500	260
Italtel (Italy)		100	180
AT & T Philips (Dutch/US)	ESS	18,282	130
Plessey (UK)	*System X*	2,050	300
Siemens (W Germany)	EWSD	17,500	1,100
STC* (UK)	TXEA/AA	2,556	180

* Not digital.

SYSTEM X: WHY RATIONALISING MAY NOT BE ENOUGH

BRITAIN'S System X digital telephone exchange programme is a telling, if extreme, example of the problems facing Europe's telecommunications industry. Even if its two manufacturers are amalgamated by a merger between GEC and Plessey, improvements in efficiency seem unlikely on their own to *ensure System X's future* competitiveness.

System X is assembled at two GEC plants in Coventry and Kirkcaldy, Scotland, and at a Plessey factory in *Liverpool*. Costs could undoubtedly be cut by reducing the number of plants and the more than 10,000 people employed on the programme, roughly 3,000 to 4,000 of whom work on the assembly line.

But the savings would not be huge. Direct labour accounts for only about 10 to 15 per cent of the manufac*turers' total System X produc*tion cost of between £100 and £120 per exchange line. Almost two-thirds of the production cost is accounted for by electronic components, many bought from overseas.

Pooling component purchasing would probably obtain a better price from suppliers, while use of advanced microchip techniques could yield further savings.

*However, by far the big*gest cost of making System X exchanges is not physical production but developing intricate computer software. The software business is notoriously risk-prone and resistant to productivity improvements, and it is doubtful whether merging the 2,000 experts at GEC and Plessey would produce appreciable savings.

So far, BT has paid for the *£350m total cost of the 15*-year System X development programme. But BT plans to stop making payments next year: after that, the manufac*turers will be on their own.*

They will need to spend at least £50m a year just to keep System X technically up-to-date—and much more than that to develop the next generation of exchanges in the 1990s. That will have to be funded out of annual sales revenue which, on the basis of orders placed so far, seems unlikely to exceed £400m.

There are three options. One is to raise volume through bigger sales overseas. But System X is a late starter in export markets, where fierce competition is driving prices down sharply. The second option is to lighten the development burden by collaborating with one or more international partners.

That is what most of the world's public exchange suppliers are trying to do today. Those which fail to secure acceptable deals soon may *have no choice about the third* option—to withdraw from the business completely.

Men and Matters

Heyman hunts Union Carbide

The long and bitter proxy battle in which Samuel Heyman seized control of GAF, the US roofing products, specialty chemicals and radio *broadcasting* group, two years ago, has clearly just whetted his appetite.

Yesterday, Heyman, now chairman and chief executive of GAF, launched his company into a $4.6bn bid for the 10-times bigger but troubled Union Carbide, the US chemicals conglomerate which is still reeling from the after-effects of the Bhopal tragedy.

Connecticut-born Heyman, 47, was a relatively obscure lawyer *and shopping centre* developer when he led a group of dissident shareholders into the 10-month $1.5m campaign to unseat GAF's long-time chairman, Jesse *Werner*.

When he took over as chief executive, Heyman said he planned to serve only until GAF's future was determined—then he *would return to the* family property business he took over in 1968 after working briefly for the Justice Department and as a US Attorney's Office prosecutor *in New Haven*.

During the proxy battle, Heyman had argued in favour of selling GAF's chemicals operations—prompting Werner, a chemist by training, to suggest "one of the reasons Heyman wants to sell . . . is that he can't pronounce the names of any of *the products*."

But Heyman, once in control, kept the chemicals and not only learned their names apparently, but turned them into money spinners. In the process, he seems to have developed aspirations to go down in corporate history books as a turn around *specialist*.

But while Heyman wins praise from Wall Street for his proven ability at GAF—once the German-owned General Airline and Film company—some question whether he has the experience to trim costs and boost productivity and profits in the same way for Union Carbide, a chemicals giant with annual sales of $9.5bn.

Heyman is plainly undaunted. And while some Wall Streeters suggest he may be angling to swap GAF's existing 10 per cent stake in Union Carbide for one of its profitable businesses, others believe he wants to be remembered not only as the man who turned it around but who also succeeded in settling the hugely complex Bhopal litigation now pending in the courts.

Snow ride

Two robbers who held up a bank in the north Norwegian county of Finnmark yesterday made their getaway with NKr 200,000 in cash by snow scooter.

It was Finnmark's first bank robbery. Several hundred kilo*metres above the Arctic Circle*, it has the largest land area and the smallest population of all Norway's 19 counties. It is normally a peaceful place, where *snow scooters are used for such* pursuits as herding reindeer, and cross-country transport.

Until yesterday the snow scooter had never been used in Norway as a getaway vehicle.

Texan law

Will Judge Solomon Casseb let Texaco off its $10.5bn hook today?

Pennzoil is the local company *awarded those massive damages* against the US oil major. In Pennzoil's book, if the judge overturns the verdict the message will go out to corporate America that, "If you steal big enough and get hit by big enough damages, you need not pay."

Texaco, of course, contends that there was no theft.

It argues that Pennzoil's agreement in principle to merge with Getty Oil was not a binding contract.

Judge Casseb, who slipped into the Texan vernacular and

"Well there we are—opinion on TV violence is still sharply divided . . ."

addressed counsel as "y'all" during last week's hearing, could pass for a lot younger *than his 70 years.*

With his double-breasted suits and walking cane he is known as one of the best-dressed men in Texas.

He is also quick to pick up attorneys on their case law.

According to Jewell Davis Lemons, a diminutive lady lawyer in Western boots and a ten gallon hat, who has practised in Texas for 45 years, no judge is better qualified to know what the issues are.

Pennzoil contends that the jury handed down a proper verdict in November on the evidence before it. Texaco argues that the jury was not properly instructed on what constitutes breach of contract.

Pennzoil is very much the home team. Principal attorney Joseph D. Jamail of Houston is a leading personal injury lawyer, part "good ol' boy," part street fighter, with a few parlour manners thrown in.

Two other Houston law firms *are backing him.* One is represented by W. James Kronzer, a rotund white-haired figure

Coolly but forcefully holding centre stage is David Boies a *lawyer who has developed* a reputation for extricating corporate clients from life-threatening situations.

He is the big name from New York—*and it shows in Texas.*

In drink

*Distillers have switched adver*tising agencies to portray them as the tough guys ready to bounce unwelcome predators like Argyll.

Streets Financial which handled both their pr and advertising in London have surrendered the advertising to Howard Loewe and Spink whose Tim Bell (formerly international chairman of Saatchi and Saatchi) will pull the punches.

"Own up Argyll. You have a drink problem," said Distillers' advertisements at the weekend and in Monday's papers.

Leading question

The Lord Chancellor's department has set new standards in *government efficiency* by answering last Friday a written parliamentary question that was not asked until yesterday.

The question should have been tabled on Thursday night by Nicholas Lyell, Tory MP for Mid Bedfordshire, for answer on Friday to coincide with the *publication of the Building* Societies Bill.

Lyell failed to put the question down—Sir Patrick Mayhew, Solicitor General, went ahead with the answer, setting out proposals on how banks and building societies will be able to offer conveyancing services to *the public.*

The "question to the answer" finally appeared on the order paper yesterday, tabled by Martin Brandon-Bravo, Tory MP for Nottingham South.

Observer

Letters to the Editor

Some attractions of industry for arts graduates

From Mr R. Martin

Sir,—The myth that industry cannot provide graduates with an enjoyable and satisfying career is bolstered by Mr J. G. Griffith (December 5).

As his pupil's views that industry consists of "pompous administrators" and "disgruntled workers" seem to be widely held, no wonder that it is increasingly difficult to attract the best talent from universities.

May I, as an erstwhile arts graduate working for a major oil company, offer the suggestion that industry is not all as wretched as he depicts?

In the course of 14 years (all with the same company) I have sold petrol in Venezuela, run a fleet of ships in Canada, learnt two languages at my company's sponsorship, set up a joint venture in Saudi Arabia, and have been exposed to a wide range of genuinely interesting industrial and commercial problems ranging from extracting a pirated ship from India to negotiating with the rulers of Gulf sheikhdoms.

It is unfortunate that industry in general is tarred with the brush that doubtless does apply to some (many?) companies or sectors within industry. Good employers must counter undergraduates' misconceptions by selling their attractions better. Industry can and should be fun!

I suggest that the wide range of opportunities for speculation or generalisation within a broadly based industrial company offers more opportunities for long term job satisfaction (which is what it is all about) than the arguably narrow opportunities of computer programming or (dare I say it?) merchant banking and financial services.

R. C. F. Martin.
Baldocks,
Chiddingstone Causeway,
Nr Tonbridge, Kent.

Half-baked patents conference

From Mr B. Fisher

Sir,—Interested circles have informed the Government that the proposal to divide the Common Market by the introduction of a mini-Community patent for only some of the states is not acceptable.

The proposed appeal court (COPAC) is an attempt to introduce to our Common Market partners the concept that the considerations of infringement and validity of a patent must be taken together. Unfortunately it only makes its appearance as a limb of national appeal courts, so that any litigant has first to go through the national court of first instance. If there is no appeal, COPAC will not come into play. If there is an appeal, then such appeal is made to the national appeal court. The latter refers the questions of infringement and validity to COPAC. After due deliberation COPAC reports back to the national appeal court and the latter then deliberates on the remedies, e.g. damages. Finally the national appeal court hands down its judgment.

COPAC is therefore an appendage to the national appeal courts, an extra layer, so to speak, but it only applies to the mini-Community.

How can anyone reconcile the deliberate creation of such division within the Community with the avowed intention of a Community without borders?

Dr Hermann (December 5) is right when he calls it "A half-baked patents conference."

It is difficult to reconcile the stress laid on the importance of intellectual property for the future prosperity of this country with the apparently deliberate step of ignoring informed opinion.

Bernard Fisher.
Dunroamin,
Camberwell Lane,
Ide Hill,
Near Sevenoaks, Kent.

Vanishing bank customers

From Mr S. Bronkhurst

Sir,—Is it not incredible that NatWest could allow itself to lose 60,000 of its clients in the past year, to those banks offering free banking where one's account is simply in credit?

And using the figures published on December 4, I see that Barclays and Lloyds were not all that far behind them.

Why did they all not spot the writing on the wall far sooner? Surely anyone within their organisations, used to the cut and thrust of commercial competition, could have warned them of what was certain to occur.

Another thought disturbs me. The small business person, the banks suggest, should turn to them for advice and guidance. Is this the sort of business acumen they will offer? What an example to follow!

Simon Bronkhurst.
Old Timbers,
The Pound,
Cookham, Berks.

Tin crisis responsibility

From Mr C. Gilbert

Sir,—Stefan Wagstyl (December 4) asks who is to blame for the crisis affecting the tin agreement. There can be no doubt that the member Governments bear the bulk of the responsibility. They claim that they were unaware of the nature and extent of the buffer stock manager's forward market commitments. The truth, however, is that they did not know what they chose not to know.

In the first four tin agreements, the buffer stock was very much subsidiary to export controls, but in the fifth and sixth agreements it has been given greater prominence. At the same time, in the sixth agreement, the size of the buffer stock was explicitly limited. Governments were unwilling to make the financial contributions required for the buffer stock to be able to achieve its intended objectives, particularly given the level of the support range in the light of the strength of the Malaysian currency. The provision allowing the buffer stock manager to trade on the forward market, and thus effectively to supplement his cash by borrowing from the market, appeared to be a magic solution increasing his puchasing power without adding to the members' commitments. Member Governments were able to pretend, to themselves and in Parliaments, that their involvement was limited to their initial contribution while, by agreeing to article 28, they have made themselves liable for much greater charges.

This raises the question of whether commodity agreements should be permitted to trade on forward or futures markets. The answer, regrettably, is that futures markets operations are unproblematic but that trading on an unreformed London metal exchange should not be permitted. This crisis could never have arisen if the LME had been fully cleared through the International Commodities Clearing House. Furthermore, the long closure of the LME tin market provides ample evidence that LME self-regulation amounts to little more than self interest.

Christopher Gilbert.
Wadham College,
Oxford.

Higher tobacco duty

From the Director, Public Affairs, Tobacco Advisory Council

Sir,—Mr J. M. Tennent's solution (December 2) to the issue of smoking is to double the rate of tobacco duty. He considers that would reduce consumption yet retain for the exchequer a yield commensurate with present annual £5.2bn.

Has Mr Tennent not heard of the law of diminishing returns? Singling out tobacco which is already subject to quite draconian tax imposition seems highly discriminatory merely to serve a specious theory. Running ahead of the all items RPI by over 40 per cent, UK cigarette tax today represents nearly 75 per cent of the cost of a pack to the consumer and is only exceeded in severity by two other countries anywhere in the world.

Further tax increases would immediately hit the lower paid, to say nothing of having a marked effect on jobs. Direct and indirect employment associated with UK tobacco manufacture, distribution and retailing amounts to some 200,000 people.

Moreover, an all too swift result of doubling the tobacco duty would be to affect the rate of inflation to such an extent that the Chancellor would surely be acutely embarrassed at a stage when he is doing all he can to reduce it.

A. D. C. Turner.
Glen House,
Stag Place, SW1.

Parliamentary drafting

From Mr I. Baillie

Sir,—With the drive to privatisation is this the time to consider privatising the Parliamentary draftsman? The members of this hard-working group undoubtedly do not deserve all of the brickbats for bad draftmanship that are thrown at them but nevertheless have not demonstrated in certain specialised areas the necessary background to produce satisfactory legislation which will not waste Parliamentary time and not cause confusion in the Courts.

With the proposed publication of a White Paper on intellectual property reform and the promise of the Government to provide a new copyright Bill, is it not time to put the initial drafting of this very specialised legislation into the hands of those who spend their lives in its practice? One could then avoid the problems which were evidenced in the 1977 Patents Act which allegedly had the record for the number of amendments which had to be introduced into the House of Lords to correct problems, many of which were issues of drafting. There was also the recent Service Mark Bill which although welcome as a concept can only be described as an unfortunate piece of drafting both in theory and in practice.

A small group chosen from the professions specifically involved, with a statement of objectives provided by the Government and with the assistance of the Parliamentary draftsmen and the acknowledged expertise of the Patent Office, could prepare a draft of the Bill which could be exposed for criticism to interest groups such as the industrial groups. Out of this refining could very quickly come a Bill which, although still subject to the full Parliamentary process and further revisions, could nevertheless considerably simplify Parliamentary procedure and save of Parliamentary time.

This might also serve as a trial of the technique for application to the revision of other complex private law.

With a Government dedicated to meeting the needs of commerce and industry and anxious to provide the best protection for British innovation, it does seem that the initial creation of legislation in this area should be given to those who know best the nature of the problem, ie those who have to work in industry and with industry.

Iain C. Baillie.
52-54 High Holborn, WC1.

Sunday with the family

From Mr A. Ward

Sir,—In your reports (Dec 3) of the House of Lords proceedings on the Government's proposals for deregulating shop trading hours, Bishop Montefiore is quoted as saying that Sunday provided "an opportunity for families to come together" and implied that the Bill would damage this chance.

In the event the Bishop's attempt to limit the proposals was defeated. Might I offer consolation to him with the optimistic forecast that, in one respect at least, Sunday trading may strengthen the bonds uniting the family.

If High Street shops open on Sundays to any degree, then many more restaurants than presently trade on that day will open to service the shoppers. It is predictable that Sunday shopping will become a family activity and that families will eat Sunday lunch together while shopping. This meal may develop in this country along the lines of Sunday lunch on the Continent and become a weekly celebration of family life—a time when a family gets together in an atmosphere of leisure and enjoyment and of familial bonhomie. If British caterers respond to the chances this Bill offers, then we may see an enrichment of family life and an extension of its shared activities.

Anthony B. Ward.
Tricon Foodservice Consultants,
First Floor,
103, Cranbrook Road,
Ilford, Essex.

Reading the newspapers

From Mr I. Locks

Sir,—Sir Richard Storey, publisher of a number of free newspapers, asks (November 26) what I mean by "read"?

The questions asked by he 1984 survey into free neswpaper readership, showing that some 73 per cent of the population of Great Britain read a free newspaper, followed the established pattern set by the *JICNARS* national readership survey, the recognised industry standard for establishing the readership.

Sir Richard's point that those who buy a weekly paper are 25 per cent more likely to spend more than 15 minutes a week reading them than those who receive them free, is worthy of note in that the difference is now so small—and closing rapidly, as the average pagination of the free weeklies increases.

The fact that almost 9m fewer households buy a paid-for weekly newspaper than receive a free one serves to demonstrate how much free papers have added to the overall strength of the regional press.

Ian Locks,
Association of Free Newspapers,
Ladybellegate House,
Longsmith Street,
Gloucester.

Most investment fund managers are not myopic

From Mr C. Carlyle

Sir, — The letters page has provided a useful forum to discuss the ability (or otherwise) of investment fund managers in the past, and it is interesting to see the topic receiving another airing in the form of managers' myopia (Paul Gaunt, December 3). Your correspondent appears to have been somewhat harsh in response to Clive Wolman's more generous views (Lombard, November 29).

Surely fund managers cannot be condemned for pursuing some short-term money-making opportunities, and most of the examples of managers' activity (eg, concerning Speyhawk) would appear to be on the periphery in determining investment performance for a large fund in the longer run. The observations concerning the composite insurance sector, however, which accounts for nearly 3 per cent of the UK equity market, may be worthy of scrutiny.

The comment that the sector had "overdone the gloom" in the final quarer of 1982 appears to have been made with the benefit of hindsight, especially considering that Royal, the largest company in the sector, went on to report profits falling from £96.5m in 1982 to £11.2m in 1984. Rather than attribute the sector recovery to "the normal ebb and flow of relative strength/weakness in the market," I should be inclined to think that prices began to recover in keeping with the market's subtle discounting mechanism, which pointed the way towards the substantial profits recovery which is now "almost certain" to occur over the next two years. In this case, the successful fund manager was not myopically concerning himself with the forthcoming sets of trading figures each quarter throughout 1983-84 but looking ahead several years.

If a "really fundamental long-term look" at composite insurance, as has been advocated, had been taken at that time and the manager had decided to have taken a nil weighting, then his fund would have underperformed consistently, other things being equal over the past three years.

It is, of course, the function of the stockbrokers' large teams of analysts — as it is they who have the specialist training, not to mention the time — to provide the detailed industry assessment, and it is their views and profit forecasts which provide the raw material for the fund manager to make his investment decision. If he were to change his investment decision (ie, to buy or sell shares) anything like as frequently as analysts change their profit forecasts, then his investment performance, as a result of dealing costs, would indeed be poor.

This would appear to be a fairly typical example where a "buy and hold" policy adopted close to the bottom of the share price cycle, as opposed to the industry's trading cycle, would reap rich regards. Accordingly, the fund manager whose investment strategy is based upon trying to identify turning points in primary trends, which last for between one to three years for most sectors of the market, not only deploys his time effectively but keeps his dealing expenses well under control. The manager who makes these decisions successfully usually does so in the company of a very small number of others and as a result of experience and knowledge of market psychology.

Data on pension fund performance are now widely available and generally show that most managers inevitably underperform the All-Share Index, mainly as a result of dealing costs. Other distortions, such as that created by the Government's holding in British Telecom, have given rise to further underperformance in the past year in particular.

Charles J. Carlyle.
(Fund manager).
Tyndall Investment Services.
18, Canynge Road, Bristol.

UK jobless figures

Rays of hope in Whitehall

By Philip Stephens, Economics Correspondent

MINISTERS are not yet publicly rejoicing. There have been too many false dawns for the British Government to risk claiming that the rising tide of unemployment has at last been decisively reversed.

So the official welcome for last week's figures showing that the underlying jobless total fell in November for the third consecutive month was muted.

Lord Young, the Employment Secretary, caught the mood with his comment that, although the last six months were the best in the labour market since 1979, "It is too soon to see these figures as concrete evidence that it (unemployment) is on the way down."

This is probably one of those rare occasions in politics when ministers are more optimistic in private than in public.

There are increasing hopes in Whitehall that after a relentless rise from an average of 1.3m in 1979, the number of people out of work probably passed its peak earlier this year.

The seasonally-adjusted total, which excludes school-leavers and is the best guide to underlying trends, hit a record 3.2m in May. Since then, it has fallen by an average 2,000 a month, against a rise of 13,000 in the preceding six months.

Government statisticians think that part of the improvement reflects the extension of special job and training schemes announced in the last Budget.

They estimate that increased numbers on such schemes—particularly the Community Programme — have reduced the official unemployment count by 5,000 a month since May.

But even if the special measures are discounted, a more fundamental upturn in the labour market seems to have occurred in response to the economic recovery. The improvement has been particularly marked among men.

Male unemployment fell by a monthly average of 3,000 in the six months to November, compared to an average rise of 7,000 between December and May.

So why are ministers reluctant to claim that a turning point has been reached especially given the Government's forecast of 3 per cent growth in 1986 and continued expansion of the official schemes?

The first reason is purely presentational. Although the seasonally adjusted total is the most reliable guide to labour market trends, media attention tends to focus on the unadjusted figure, which includes school-leavers.

This shows large swings from month to month, but crucially tends to rise by around 100,000 in January when temporary workers are laid off after Christmas.

An official campaign now, claiming that the rising trend has been halted, would risk being dashed by the headlines when the January figure is released during the following month.

More fundamentally, while the Government may be increasingly confident that unemployment has levelled out, there is far less certainty that it is heading decisively downwards.

The scale of fall over the last six months—12,000—is minuscule against the overall total of nearly 3.2m officially registered as out of work. One bad month could easily wipe out all of that gain.

The UK's 13.1 per cent unemployment rate is the highest of the major industrialised countries, comparing with figures of around 7 per cent in the US, 9 per cent in West Germany and 10 per cent in France.

The average figure, however, masks wide variations between men and women and between different regions.

The proportion of men out of work is 15.7 per cent against the 9.6 per cent of women seeking jobs. The overall unemployment rate in the South East is below 10 per cent, but in Northern Ireland it is 21.3 per cent

At the same time, there are around 675,000 people covered by Government employment and training measures, an estimated 495,000 of whom would otherwise be claiming unemployment benefit.

Looking forward into 1986, the indications are for an improvement but not a major reversal in the current position. Most independent forecasters expect a gentle decline in the number of people out of work but virtually all expect the total to remain above 3m.

The projected fall in the pace of growth of the labour force, which has been expanding rapidly in recent years, is operating in the Government's favour.

In 1984, for example, around 500,000 extra people began looking for jobs, a reflection of the "baby boom" of the 1960s and the return to the labour market of many workers, particularly women, who had left during the recession.

This growth has been highlighted by ministers as a major reason why the economic recovery has not yet been reflected in lower unemployment, even though the number of people in work has been rising for more than two years.

Official figures show that the employed labour force in the UK, including the self-employed and those in the armed forces, rose from a trough of 23.6m in March 1983 to 24.2m by June of this year. Over the same period unemployment rose by 150,000.

The Department of Employment is forecasting that the labour force will grow by only around 180,000 next year—as a result new jobs created by increased output are more likely to be translated into lower unemployment figures.

Employment is also expected to receive a boost from the restructuring of National Insurance contributions announced in the last Budget. This will make the hiring of low paid workers relatively more attractive. Meanwhile, the Government intends to increase the number of places on the Community Programme from 160,000 to 230,000 by next summer.

Less encouraging is that on present trends the bulk of the new jobs created will be part-time employment for women.

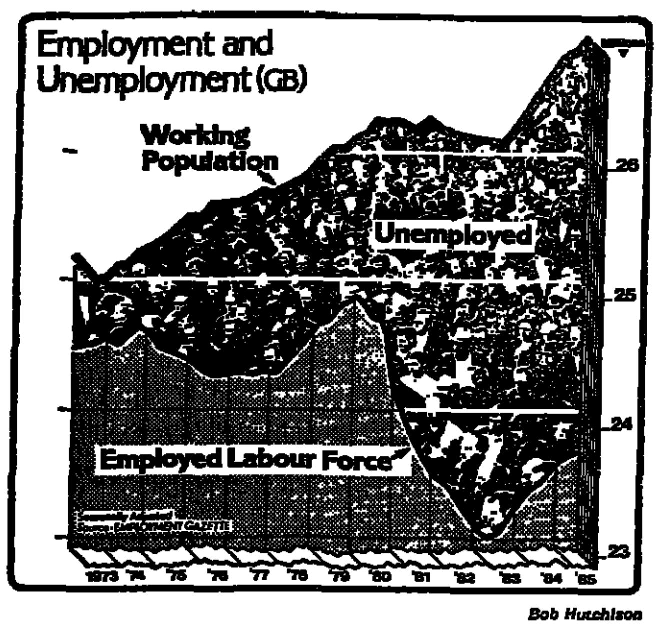
The official employment figures are notoriously difficult to interpret, largely because they contain a large element of "guesstimate." What they suggest is that excluding self-employment, full-time jobs lost in the manufacturing and production industries are being replaced by part-time work in the services sector.

As a result, long-term unemployment, represented by more than 1.3m people who have been without a job for a year or more, has gone on rising.

The problem for the Government is that companies, particularly exporters, may respond to continued high interest rates and a strong pound not by giving smaller pay increases to existing workers but by seeking another round of lay-offs.

Although a shake-out on the scale of a few years ago is implausible, manufacturing companies could nevertheless accelerate the trend towards operating with a relatively small "core" labour force, supplemented when necessary by temporary or sub-contracted workers.

The odds, though, must be in favour of a small decline in the overall jobless total as service industries and self-employment continue to expand.



Bob Hutchison

FINANCIAL TIMES
Tuesday December 10 1985

William Hall in New York explains how the Fed is making life harder for corporate raiders

'Junk bonds' trimmed at the margin

ON MARCH 12 Mr Fred Hartley, the 68-year-old chairman of Unocal, a West Coast oil company that was locked in battle with Mr T. Boone Pickens, the Wall Street corporate raider, fired off a letter to Mr Paul Volcker, the chairman of the Federal Reserve Board, attacking "junk bond" financing. The three-page letter may well be remembered as a turning point in the current US takeover boom.

"Abuses by some banks and financiers are feeding a takeover frenzy that strikes at the economic well-being of this country," Mr Hartley wrote, concluding that the Wall Street's corporate raiders and their bankers are "engaging in stock and bond and credit schemes reminiscent of those of the 1920s – but on a multi-billion-dollar scale."

Mr Hartley's letter was written at the height of a takeover battle which he eventually won, but his comments and those of many leading corporate executives and congressional leaders over the last few months, have touched a chord at the Fed. Late last week it announced plans to curb the use of so-called junk bonds – securities which are not rated as investment grade by the credit-rating agencies.

The ability to issue junk bonds at short notice is an important piece of artillery for the typical Wall Street corporate raider in today's takeover battles.

Take the example of Pantry Pride, the relatively unknown Florida supermarket chain which recently won its $1.8bn takeover fight for Revlon, the US cosmetics and health care giant. When it began stalking Revlon, it issued $700m of junk bonds to investors rounded up by Drexel Burnham, the New York investment bank.

It did not specify the target company and admitted in its filing with the US Securities and Exchange Commission, that the funds generated by its own operations would not be sufficient to enable it to meet the debt service and dividend obligations. In the event, this did not matter because Pantry Pride won control of Revlon and is able to meet its financial obligations from the proceeds of Revlon which it is busily dismantling.

Pantry Pride is just one of a number of corporate raiders to have relied heavily on the junk bond market to finance their corporate adventures over the last 12 months. Others include Mr Ted Turner, the cable TV entrepreneur who tried to take over CBS; Sir James Goldsmith, who has won control of Crown Zellerbach; and Mr Carl Icahn, who is in the midst of taking over Trans World Airlines.

These are the sorts of people who will be hit by the Fed's new proposal which involves expanding its interpretation of its long-standing margin requirement rules to take in junk bonds.

The Fed's regulation G margin requirement, which was introduced to stem the abuses that precipitated the stock-market crash of 1929, provides that loans for stock purchases may not exceed 50 per cent of the value of the stock being bought.

JUNK BOND ISSUES ($bn estimates)

1980	1.3
1981	1.4
1982	2.5
1983	7.5
1984	14.2
1985	15.0

Estimates of high-yield bonds rated BA1 or lower by Moody's and BB+ by Standard & Poors

Source: Drexel Burnham Lambert

Several congressional leaders, such as Mr Pete Domenici, chairman of the Senate Budget Committee, have argued that recent hostile takeovers have made a mockery of the margin requirement rule and have urged the Fed to interpret the rule more stringently.

They note that corporate raiders have used "shell" corporations to issue junk bonds to finance stock purchases entirely with borrowed funds, and argue that, since there is no functional difference between bonds and loans in those situations, the margin requirements are being wilfully circumvented.

Mr Volcker and some of his colleagues appear to agree. In a letter sent to congressional leaders last week, he reiterated his concern about the surge in "debt-financed acquisition activity" that might lead to a "reduction in the financial strength of business firms."

The Fed has now proposed applying its margin limits to securities of "shell" corporations set up only as entities to sell debt and finance stock purchases. According to the Fed, the margin requirements will apply to "shell" corporations that have "substantially no assets other than the margin stock of the company to be acquired and no significant business functions other than to hold the margin stock to facilitate an acquisition."

Although the Fed could impose the new margin requirements immediately, it has asked for comments before December 23. Subject to any changes as a result of the requested comments, it plans to apply the new interpretation of its existing margin requirements to all deals after December 31.

The proposal is less sweeping than had been rumoured. It will not, for instance, apply to "shell" companies the securities of which are guaranteed by its larger parent. Takeovers such as Philip Morris's recent $5.8bn purchase of General Foods would not fall under the proposed new rules.

At one stage it had been feared that the Fed was planning to impose a 50 per cent margin requirement on all debt raised to finance takeovers. That would have had a serious dampening effect on the pace of takeover activity in the US, which has already topped $100bn.

In the event, the main impact of the Fed's new rules will be on the small band of corporate raiders who have used their reputation and Drexel Burnham's aggressive skill at raising billions of dollars of "junk bonds" to amass substantial fortunes. In theory they will now have to put up at least half the purchase price in cash or assets.

While Wall Street is still reserving its verdict on the Fed's proposals, the initial impression is that it will make life harder for corporate raiders such as Mr Pickens and Mr Icahn. Mr Pickens, the self-styled champion of the small shareholder, has described the new rules as "another move against stockholders."

But Wall Street is not underestimating the inventiveness of the corporate raiders in finding new ways to circumvent the Fed's proposed new rules. "All it means is that the rule will make it more complicated to get financing. But there will always be some ways for people with resources to make offers. If otherwise you could do a $5bn deal, it may cut you down to where you can only do a $2bn deal," Mr Pickens said.

He believes that the pressure for the changes has come from big business, which is terrified by the challenge presented by people such as himself and Mr Icahn.

The new rules will dent the speculative activity on Wall Street, where share prices have soared to new highs on the back of takeover rumours, but investment bankers are cautious about predicting that they signal the end of the current takeover boom. The Fed itself is split on the wisdom of imposing the new rules and the Reagan Administration is far from happy with the idea of introducing curbs on takeover activity.

Elections in Cyprus strengthen Kyprianou

BY ANDRIANA IERODIACONOU IN NICOSIA

MR SPYROS KYPRIANOU, the beleaguered President of Cyprus, has consolidated his position in power by scoring a tactical victory against the right-wing and Communist Greek Cypriot opposition parties in Sunday's parliamentary elections.

Sunday's vote also marked the end of an era of Communist ascendency in Greek Cypriot politics dating back to independence from British rule in 1960. The pro-Moscow Akel was toppled as the largest political party by the right wing National Rally led by Mr Glafkos Clerides.

With over 80 per cent of the votes counted, the President's centre-right Democratic Party scored 27.3 per cent, a significant jump from 19.5 per cent in the 1981 legislative elections.

The result was interpreted as an indirect vote of confidence for Mr Kyprianou and his policies on the Cyprus problem. In a statement yesterday, the President expressed his "satisfaction" with the election results, and called on the opposition parties to co-operate with him for the benefit "of the people and the country."

The Rally obtained 34.01 per cent, compared to 31.91 per cent in 1981, while Akel's share of the vote fell to 27.08 per cent, compared with 32.76 per cent four years ago.

The Socialist Edek party, which has supported the President's decisions on the Cyprus problem, also improved its electoral strength to 11.27 per cent, compared with 8.16 per cent in 1981. The rest of the votes went to two independent candidates.

The election results are expected to take the wind out of the sails of Akel and the Rally, which were determined to try and force Mr Kyprianou into early presidential elections before the end of his five-year term in 1988, either by trying to amend the constitution, for which they need two thirds of the seats in parliament, or by vetoing legislation.

The two opposition parties have been putting pressure on the President to resign since last January, when he rejected a United Nations peace plan for Cyprus at a New York summit meeting with Mr Rauf Denktash, the Turkish Cypriot leader. He took the view that the plan did not adequately serve the interests of the Greek Cypriot community on the island.

Mr Kyprianou has argued throughout that under the presidential system of government in Cyprus, he is not bound by the decisions of the majority in parliament.

Only the Greek Cypriots, with a registered voter total of 346,450, participated in Sunday's polling. Voting was compulsory.

The 18 per cent Turkish Cypriot minority has been segregated in the north eastern third of Cyprus since Turkish troops occupied the territory in the wake of a military coup against the government of Archbishop Makarios. A self-styled Turkish Cypriot state was declared in the occupied sector in 1983, but so far it has been recognised only by Turkey.

Once the aftermath of the election is over, with Mr Kyprianou sitting rather more solidly in the presidential chair, UN peace efforts, which have been simmering on the back burner since January, can be expected to gather momentum.

UN officials have continued to meet behind the scenes Greek and Turkish Cypriots all this year, with the aim of bringing Mr Kyprianou and Mr Denktash together again over a revised draft settlement plan for Cyprus.

Akel's failure on Sunday is ascribed to a combination of factors, including its ageing leadership's obviously unpopular decision to join the pro-American Rally party in challenging the president, and the fading appeal of orthodox Communist slogans in the affluent, entrepreneurial Greek Cypriot society.

The Rally and the Democratic Party acquired their extra votes relative to 1981 from Akel and the scattering of small parties that ran independently four years ago but amalgamated with larger ones in this election. Mr Kyprianou, and the small Socialist Party, did particularly well in the Paphos district, the home area of Archbishop Makarios. Mr Kyprianou succeeded the Archbishop as president after the latter's death in 1977.

Mr Clerides and his Rally scored highly among the Famagusta refugees, who look forward to the handing back of their occupied city as the first step in any compromise settlement with the Turkish Cypriots.

By late afternoon yesterday, only 14 of the 56 Greek Cypriots seats in the 80-member House of Representatives had been allocated, five going to the Democratic Party, four to the Rally, four to the Communists and one to the Socialists.

The sorting of votes was considerably slowed down by the fact that the Greek Cypriot refugees from the occupied sector still vote according to their old constituencies in their present places of residence.

Editorial comment, Page 20

Soviet Union opens a door to Avon

BY NANCY DUNNE IN WASHINGTON

THE FACE of Russian womanhood is about to take on a different shade of rouge. Avon Products is to launch its cosmetics in the Soviet Union.

But Soviet doors will not be opened to the flashing smile and the "Avon calling" greeting. The glamorous door-to-door saleswomen will not be seeking out Soviet customers – Russian women will have to buy their Avon cosmetics from state-run stores.

While 400 US businessmen in Moscow this week are selling their petrochemicals, heavy equipment and low-tech products, Avon announced that it had nailed down the first trade agreement between the two superpowers since the Geneva summit.

Mr Mikhail Gorbachev's intention to boost the availability of consumer products in the Soviet Union laid the foundation for months of negotiations between Avon and the Soviet state committee for science and technology. Yesterday they polished off the talks with an announcement of a preliminary barter deal that might send American and European-made cosmetics to the Soviet Union in exchange for Soviet gift and decorative products.

The initial agreement involves some $4m in products, but what the company calls its "cosmetic summit" is expected to produce more business in the future.

"This is just the first step in what we hope will be a long-term relationship," said Mr James Preston, president of Avon's worldwide beauty products division.

The protocol provides for subsequent negotiations for additional products and for technology that Avon might provide to the Soviet Union. Avon, which sells its wares in 45 countries, will send a complete product line to Moscow, where government officials will select what items are appropriate for sale.

British Gas need not disclose part of profits

BY MAX WILKINSON, RESOURCES EDITOR, IN LONDON

BRITISH GAS will not be required to disclose the monopoly profits which it makes in the domestic market after privatisation, it emerged yesterday.

The terms of its licence published yesterday by Mr Peter Walker, the Energy Secretary, show that the accounts of the new private monopoly will have to be divided between its gas supply business and the rest.

That means that profits in the domestic market, which will be a regulated monopoly, will be lumped in with profits in the industrial market where contracts will be negotiated individually. The other part of the business, including showrooms and North Sea production, may be lumped together and will not be regulated.

The contract market, representing about 40 per cent of the mainland gas supply business, will be regulated with only the lightest of touches, with an obligation on British Gas to publish its maximum charges.

The new regulatory body, Ofgas, will not have power to set prices in this market, although disputes may be referred to the Office of Fair Trading. Ofgas has not been given power to set prices for the carriage of gas for third parties, nor the price for "top-up" supplies which British Gas will be obliged to offer to competitors.

The licence lays no obligation on British Gas to buy in a surplus from competitors at times of low demand. The big oil companies argued that this was an essential condition for increased competition but British Gas itself opposed the idea.

Ofgas is also denied power to apply to the Monopolies Commission for an extension of its writ to cover the contract market if it feels abuses are occurring.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	18	64	Dubrovnik	S	16	61	Malaga	S	12	54	Salzburg	S	9	48
Akrotiri	S	22	72	Faro	S	14	57	Malta	R	18	64	Seoul	S	-7	19
Algiers	C	15	59	Florence	F	13	55	Manila	S	32	90	Singapore	F	30	86
Amsterdam	C	8	46	Frankfurt	R	8	46	Miami	S	18	64	Stockholm	S	-10	14
Athens	C	17	63	Funchal	S	18	64	Milan	D	9	48	Strasbourg	C	8	46
Bahrain	S	22	72	Geneva	C	7	45	Moscow	S	-8	18	Sydney	F	29	84
Bangkok	S	33	91	Gibraltar	S	13	55	Munich	S	7	45	Taipei	C	19	66
Barcelona	F	9	48	Guernsey	S	8	46	Nairobi	F	25	77	Tangier	—	—	—
Beirut	C	15	59	Helsinki	F	-3	27	Naples	S	16	61	Tehran	—	—	—
Belgrade	S	11	52	H. Kong	F	21	70	New Delhi	S	18	64	Tel Aviv	S	26	79
Berlin	R	7	45	Innsbruck	F	4	39	New York	C	6	43	Tenerife	C	20	68
Biarritz	F	10	50	Inverness	C	0	32	Nice	C	12	54	Tokyo	C	11	52
Blackpool	Fg	2	36	Istanbul	Fg	9	48	Oporto	F	9	48	Toronto	C	-2	28
Bordeaux	F	12	54	Jersey	F	8	46	Oslo	Sn	-15	5	Tunis	—	—	—
Brussels	C	8	46	Jo'burg	F	22	72	Paris	F	8	46	Valencia	F	14	57
Budapest	C	7	45	Las Palmas	F	20	68	Prague	C	4	39	Venice	F	10	50
B. Aires	R	23	73	Lima	S	22	72	Reykjavik	C	0	32	Vienna	C	4	39
Cairo	S	20	68	Lisbon	S	12	54	Rio de J'o	S	29	84	Warsaw	D	4	39
Cape Town	S	21	70	Locarno	R	8	46	Rome	R	14	57	Zurich	S	8	46
Caracas	C	26	79	London	C	6	43								
Casablanca	—	—	—	Los Angeles	F	10	50								
Copenhagen	C	4	39	Luxembourg	R	6	43								
Corfu	F	17	63	Madrid	S	9	48								
Dublin	Fg	1	34	Majorca	C	14	57								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Opec seeks 'fair market share'

Continued from Page 1

Oil Minister declining to undertake the chairmanship, pleading too many other responsibilities.

The kingdom is bent on sustaining the maximum production rate of 4.35m b/d allowed it under the existing accord, and is continuing to line up the "net-back" deals. These are related to product prices after deducting costs of transport and refining and guarantee the processor a profit margin. The bulk of Opec exports will now probably be priced according to this formula.

In the meantime, a quota system looks more notional than ever despite being formally respected in the fudged compromise reached this weekend. Dr Tam David – West Nigerian Minister of Petroleum Resources, suggested to reporters that his country no longer had any quota, and, indeed, it has been substantially exceeding the allocation, under the pact. His Iraqi counterpart, Mr Oassim Taki Al Otaibi, said the same thing last Friday.

Dominic Lawson in London writes: The oil spot markets on both sides of the Atlantic suffered violent downward price movements in the wake of Opec's apparent decision to abandon its policy of absorbing any fall in demand for oil.

In the European market, January shipments of Brent – were traded down to $26.50 a barrel. An oil trader said yesterday: "We are not nervous. We are panicking."

On the New York Mercantile Exchange, crude and product prices rapidly went "limit down." In the first two hours of trading, the price of a barrel of West Texas Intermediate fell by $1. The rules of the exchange prevent a daily price movement of more than $1 in any direction, but it is very rare for the rule to be invoked.

On the London Stock Exchange, shares in oil companies dropped sharply, with BP falling 10p to close at 545p and Shell dropping by a similar amount to 635p.

Chloride's chief quits after poor results

By David Goodhart in London

CHLORIDE, the hard-pressed British battery group, yesterday announced the resignation of its chief executive, Mr Ken Hodgson, in the wake of surprisingly poor interim results.

The company fell to break-even before tax in the six months ending September 30 compared with a £5.4m profit last year on a half-year turnover down from £192.5m to £159.9m.

It brought forward its results by one day to coincide with a board decision to endorse the move taken by Sir Michael Edwardes, chairman, and the other non-executive directors to ask the 54-year-old South African chief executive to relinquish his post.

A company spokesman said: "In the light of the poor profit performance it was decided that a change of leadership was necessary." Mr Hodgson became chief executive in difficult circumstances in 1981 just after the company had made a sudden loss of £13.5m. He will remain chairman of the company's South African subsidiary.

Although some recovery has been made since the low point of 1981, the battery market has still been suffering from overcapacity and Chloride has suffered because of large warranty claims from the US on the company's new Torquestarter. Its full-year profits were little changed at £14.2m in the year ended March.

But the company also gave a warning yesterday that its second-half results would not top last year's figure of £8.8m, so annual profits will probably be halved or worse. Its share price fell by a quarter from 44p to 33p.

No new chief executive has been announced, but it appears that there will be a cost-cutting interregnum overseen by Sir Michael, who will take a temporary office at the headquarters and head the management board.

The one better piece of news in yesterday's announcement was that after the sale to Dunlop Olympic of the North American and Australasian companies for £34.5m, gearing has been reduced from 75 per cent to less than 35 per cent.

See Lex; Results in detail, Page 26

THE LEX COLUMN

Opec turns up the tap

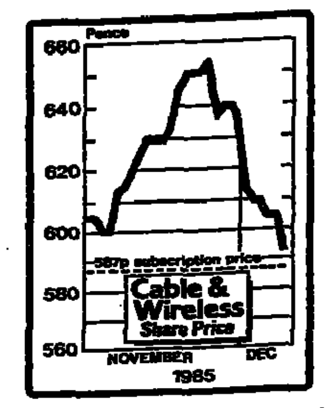
Opec has done some fairly odd things in its history, but yesterday's communiqué from Geneva must take the biscuit for its mixture of the nonsensical and the damaging. Merely to call a production ceiling a floor will not turn the world upside down; indeed, the implied demand for extra market share will only reverse price expectations – as yesterday's spot market fall aptly showed. Opec's present level of production of about 18m barrels a day has been supported by a hefty stock-build: that is unlikely to continue amid crude threats of a price war.

In effect, Opec has confessed to the bankruptcy of a policy based on price support through output control. Quite simply, there was too much cheating even before Saudi Arabia gave up its role as swing-producer. But the hope that non-Opec producers – in other words, the UK – might now ride in to rescue the organisation is pure illusion. A netback-led price war, however welcome to the downstream operators, would have played havoc with Opec members' current accounts long before a producing field in the North Sea was shut in. Meanwhile, those threats about Mr Nigel Lawson (the UK Chancellor of the Exchequer) losing his scope for tax cuts do not make much sense: on yesterday's evidence of a 2 cent fall in sterling, a free fall in the crude price will probably be matched on the exchange rate, leaving assumptions of sterling revenue all square. Following Opec's advice by cutting production from tax-paying fields would be more likely to cause trouble.

For the UK companies, any fall in the oil price will raise questions about the dividends of all but the magic circle of the two majors, along with Britoil and Enterprise. But it is more likely that Opec will resolve, after all, to enjoy a couple of good months until the crunch in the spring; and yesterday's announcement and special committee will go the way of other Opec announcements and committees – into limbo.

GEC/Plessey

Nothing is ever entirely as simple as it seems at GEC. The statement that GEC was to offer 160p a share for Plessey had been confidently expected for nearly a week when it finally arrived. But the total consideration had mysteriously increased by all of £20m from the figure originally given – a clue to the slightly surprising existence of an equity element in the package.



To go in at approximately 160p after the market had repriced Plessey to a level at least 10 per cent higher (on yesterday's evidence) is an interesting piece of tactics. Possibly just an instance of GEC's well-known doggedness in bid campaigns, the low price risks a cold reception from the shareholders, following the raspberry it has already had from the board of Plessey. But to make a concrete offer, largely in cash, has the merit of showing that GEC is serious about its plan; and cash on the table will concentrate at least the more risk-averse minds on the uncertainties of Plessey's position.

On balance, it is hard to believe that Plessey has much to fear from a bid at the current price. The evidence, including its negotiations with other parties, is that GEC wants to strengthen its position industrially. If Lord Weinstock were to put another 20p in the kitty, that might not convince Plessey's management, but it might have quite another effect on its institutional backers.

GAF/Union Carbide

Mr Samuel Heyman, chairman of GAF Corporation, which yesterday launched a bid for Union Carbide, ought to set up in insurance. Two years ago, he fought a long and bitter proxy battle to win control of BAF, a company being sued for millions of dollars by asbestos victims. Now he wants to buy the company being hit for the gas leak at Bhopal.

Mr Heyman must have views on the amount needed to settle the Bhopal damages claims, but it is not clear how Union Carbide should be valued in the light of such a liability. According to Value Line, book value per share at the end of this year should be just under $80; GAF is offering $68 and yesterday morning Carbide's shares rose $3¼ to $66¼. That they are now so close to the bid price shows at least that the market is taking GAF seriously, even though it is only a tenth the size of Carbide.

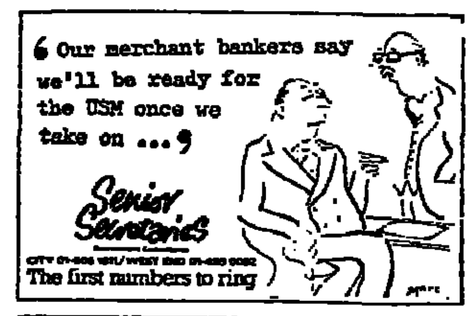
Wall Street is a great fan of Mr Heyman's style of management – which should help him raise the funds he needs – but has few kind words to say for Carbide's, even after this year's restructuring. If a management buy-out could not win the support of shareholders, maybe the best Carbide can hope for is rescue by a white knight – preferably one that would not need to sell off bits of the company just to service the interest on its junk bonds.

Cable and Wireless

Cable and Wireless must be mightily relieved that share applications cannot be lodged by telephone. Many of the private investors at whom Cable has been aiming its marketing campaign will already have entrusted their applications to the postal service. Had they waited until last night, they might have changed their minds.

After yesterday's 13p fall, the Cable share price is trading only 5p above the subscription level of 587p. Taking account of partial payment and stamp duty relief, the new shares are theoretically still attractive even if the old equity drops to 575p. And it may be that yesterday's drop simply represented arbitrage on the part of institutions making a turn by selling the old before buying the new.

But the steady fall in the Cable price over the past fortnight cannot be written off to short positions on jobbers' books, institutional cunning or even the general slide in the market. At a price of 650p, Cable simply looked too expensive. At 587p, it should attract sufficient subscriptions to cover the issue, although it is now unlikely that the sponsors will need to avail themselves of the novel claw-back facility. The stags can be expected to stay away and, is British Telecom produces disappointing results later this week, Cable shares may be available more cheaply during the last shopping days before Christmas.



SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Tuesday December 10 1985

Svenska and OK Union link to tackle oil majors

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

SVENSKA Petroleum, the Swedish state-owned oil company, and Oljekonsumentarnas Förbund (OK Union), the co-operative-owned oil group, are to merge a large part of their oil interests to form what will be the biggest oil company in Sweden.

Neste, the Finnish state-owned oil company, is negotiating the purchase of a stake of about 15 per cent in the group, to be called OK Petroleum, which will have around 21 per cent of the Swedish oil market.

The Swedish Government has been pressing for the merger in order to form a stronger Swedish-owned oil group better able to compete with oil majors.

OK and Svenska Petroleum have been hit by heavy losses in recent years in the face of fierce price-cutting and a drop of 50 per cent in oil consumption since 1979.

The merger is a further step in the far-reaching restructuring of the Nordic oil and petrochemicals sectors, which has seen Statoil and Norsk Hydro of Norway and Neste of Finland buying into the Swedish market and the withdrawal of oil majors, such as Esso and Mobil, from it.

The new company will comprise all Svenska Petroleum's activities, including 51 per cent of SP Exploration, and the oil importing, refining and heating oil operations of OK. OK's petrol retailing activities will continne to be owned directly by the regional co-operative societies.

The co-operative movement will keep a majority stake of at least 51 per cent in the new company. Neste is expected to take a holding of about 15 per cent.

The Swedish state, which has poured around SKr 1.4bn ($182.5m) into Svenska Petroleum since it was founded in 1975, will have a 30 per cent stake.

Negotiations with Neste should be completed soon, and the Finnish group could pay around SKr 600m to SKr 700m for its stake.

OK Petroleum will have around 4m tonnes a year of refinery capacity through a 35.5 per cent holding in the Scanraff refinery and 22 per cent in the BP refinery. It will also own half the 1.2m tonnes a year capacity of an oil cracking unit, OK Kracker.

The way for the merger has been opened by OK's improved chances of reducing its refinery overcapacity. It has signed a letter of intent to sell a 21.5 per cent share in the Scanraff refinery and 50 per cent of the cracker to Norsk Hydro, a deal estimated to be worth about SKr 750m.

Hydro has bought the Mobil service station network in Sweden, while Statoil, the Norwegian state-owned oil company, has bought Esso's Swedish oil sales and marketing operation.

With a heavy financial burden and continuing losses, OK is also seeking to sell its exploration interests, including the 1 per cent stake it purchased in BP's North Sea Forties field in 1983.

OK lost SKr 409m in 1984, after suffering a deficit of SKr 117m in 1983, and expects further losses in 1985. Svenska Petroleum ran up losses in four of the last five years but is expected to make a small profit in 1985.

Olivetti plans to launch company

By James Buxton in Rome

OLIVETTI, the Italian data processing equipment maker, is about to launch a new company to play a major role in developing data transmission services in Italy.

The new company, Seva, will be 42 per cent owned by Olivetti. Other major shareholders will be Stet, the Italian telecommunications holding company which is part of IRI, the state industrial conglomerate, and ENI, the national energy corporation, each with 20 per cent. Shares will also be held by American Express (10 per cent), Visa (3 per cent), Diners Club (3 per cent) and Sixcom, a software company (2 per cent).

Seva, which is expected to be formally constituted next month, will create so-called value added networks (VANs) based on the national data transmission network, Itapac, which is now coming into service. Value added networks are the commercial services which make use of data transmission systems.

Seva, which initially will operate in nine major Italian cities, will offer such services as the checking of credit cards, electronic mail, the management of orders for large shops, access to data banks and electronic transfer of funds.

The creation of Seva is a major step in the development of VANs in Italy, a subject which has been at the heart of much controversy in the past two years. IBM Italy, the Italian subsidiary of the US multinational, originally proposed developing VANs with SIP, the telephone utility which is the subsidiary of Stet and which operates Itapac.

But this proposal was strongly contested by Olivetti, and so far there has been no agreement on VANs between IBM and Stet.

Comau and Digital set up $2m joint venture

BY ALAN FRIEDMAN IN TURIN

DIGITAL Equipment Corporation (DEC) of the United States, the second largest computer maker in the world, is to form a 50-50 joint venture in factory automation with Comau, a machine tools and robotics subsidiary of Italy's Fiat group.

The joint-venture company – to be called Sesam – will have an initial capital of $2m with total investment rising to around $4m within five years. Although Sesam is to be an Italian company at first, it is aimed at the European and world market in computer integrated manufacturing.

"The systems we will develop will have no geographic limits," explained Mr Winston Hindle, vice president of Digital.

The two companies said in Turin yesterday that Sesam was aiming for total turnover of L400bn ($232.7m) within five years and 200 employees by 1990. In its first year the company is expecting sales of between L3.5bn and L4bn and a total of 50 employees.

The idea of the venture is to combine Comau's expertise in flexible manufacturing systems with Digital's computer experience. Sesam will not manufacture machinery but will act as a systems engineer, designing factory automation systems and procuring relevant equipment.

The joint venture is strikingly similar to the company already established by IBM and the Elsag factory automation subsidiary of the IRI-Stet Italian state holding group.

Mr Paolo Cantarella, managing director of Comau, admitted that the market for Sesam was the same as for the IBM-Stet venture, but he said Sesam would be more specialised in factory automation.

Comau, he said, expected to have a 1985 turnover of around L600bn, of which US sales would represent around a quarter. General Motors, which last week agreed to buy 20 per cent of Comau's US subsidiary, accounted for more than 90 per cent of Comau's US sales, according to Mr Cantarella.

Mr Cesare Romiti, managing director of the Fiat group, said the new venture stemmed from years of co-operation between Digital and Comau; the two companies already co-operated in the European Community's Esprit programme. He and other Fiat executives described the Digital-Comau venture as a strategic move for Fiat.

● Mr Romiti declined to comment yesterday on reports in Italian financial circles that the Gemina holding company, which is 27 per cent owned by Fiat, was planning to buy a 5 per cent stake in Generali, the leading Italian insurer. The Generali share stake is held by Euralux, the Luxembourg shell company which is controlled by Lazard Freres of Paris and in which a small stake is held by the family of Mr Giovanni Agnelli, Fiat chairman.

Asked about Generali, Mr Romiti responded that "the board of Gemina will meet at the end of this week." Milan analysts have said for some time that Mr Agnelli is eager to obtain more shares in Generali – the Gemina acquisition could make use of part of the L450bn earned from its recent sale of a controlling 17.1 per cent stake in the Montedison chemicals group.

● Pirelli, Italy's leading tyre and cables manufacturer, said last night it had concluded the acquisition of Metzeler, a tyre and rubber products subsidiary of West Germany's Bayer chemicals and pharmaceuticals group. The price of the purchase was not disclosed but is understood to be between $30m and $50m.

Cutback may put Alcoa into loss

By Terry Dodsworth in New York

ALUMINUM Company of America (Alcoa), the leading US aluminium manufacturer, is planning to reduce its smelting and refining capacity by around 25 per cent as part of a wide-ranging restructuring which will involve after-tax write-offs of about $175m.

No indication was given yesterday of the impact of the charge on profits, but it is possible it will leave the company in loss by the end of this year. In the first nine months net income amounted to $104m and in the third quarter to $57m.

The Pittsburgh-based group said yesterday that the move reflected "fundamental and permanent" changes in the structure of the world's aluminium industry – a reference to the difficulties the US industry is facing in producing aluminium ingot at competitive world prices.

In recent years Alcoa has been adjusting to the increasing pressure on margins in the ingot business by shifting the emphasis of its business further into higher value-added fabricated products.

At present, about 20 per cent of the group's ingot production is sold to outside customers, but one of the main aims of the decision to reduce smelting capacity will be to bring it more closely into line with the company's fabricating facilities.

Mr Charles Parry, chairman, said he expected the action to improve the company's cost structure and "complement our objective of using advanced technology and higher levels of quality to gain advantage in those parts of the aluminium business that offer the greatest financial benefits."

● Kaiser Aluminum, the third largest US aluminium producer, has rejected a $880m takeover proposal from an investment group led by Mr J. A. Frates, a Tulsa businessman, as "vague and highly speculative."

The company also declined to talk to the investment group and added that it was considering adopting anti-takeover devices.

The bid by Mr Frates, which is backed by Mr Alan Clore, the British businessman, is priced at $20 a share, of which $7 is in cash and the rest in debt securities. The group already owns about 5 per cent of Kaiser's shares.

Norcem buys majority stake in Aker

BY FAY GJESTER IN OSLO

NORCEM, the Norwegian industrial concern which has expanded strongly into offshore activities, announced yesterday that it had a majority shareholding of 54.8 per cent in Aker, the offshore fabricating group.

Aker thus becomes a subsidiary of Norcem, making it one of Norway's largest industrial undertakings, with a labour force of 10,700, total annual turnover of about NKr 7.5bn ($780m) and forecast profit next year of about NKr 500m.

Norcem, which already held 25 per cent of Aker and had long been keen to acquire control of the company, negotiated a share purchase agreement last month with a major shareholder, Mr Fred Olsen, the shipowner.

Mr Olsen agreed to sell 6.65m of his Aker shares – 29.8 per cent of the total – at NKr 100 a share, making the deal worth NKr 665m. But another large Aker shareholder, Asea of Sweden, shared with Norcem first option to buy the Olsen shares.

The Norcem takeover became possible when Asea agreed not to exercise its option.

Aker last week raised its 1985 profits forecast from NKr 160m to NKr 250m. The eight-month profit figure, before extraordinary items, was NKr 127m

Norcem recently announced plans to raise NKr 338m to help finance the Aker purchase through a one-for-four share issue at just over 200 per cent of par.

Bayerische Vereinsbank lifts profits by more than 25%

BY JOHN DAVIES IN FRANKFURT

BAYERISCHE Vereinsbank, the big West German commercial bank, has substantially increased earnings, with a strong boost coming from share and bond market trading.

The Munich-based bank said overall operating profit in the first 10 months of the year was up by more than 25 per cent, although it did not disclose the amount.

Its interim report closely follows announcement by other leading West German banks of improvements in earnings this year, in some cases by a substantial amount.

The Bayerische Hypotheken- und Wechselbank, also based in Munich, indicated recently that it expected to report another good year after lifting operating earnings by 7.1 per cent in the first 10 months.

Bayerische Vereinsbank said yesterday that its net interest-rate surplus in the first 10 months reached DM 1.1bn ($436.5m), an increase of 6.4 per cent. Net earnings from commissions for services were up 20.5 per cent at DM 254.4m.

After taking account of personnel and material costs, the bank had a so-called "partial operating profit" of DM 500.8m in the first 10 months, which was 13 per cent more than for the same period last year.

Trading profits from shares and bearer bonds showed a considerable increase, the bank said, resulting in the rise in operating profits of more than 25 per cent.

The bank said that after putting aside funds for domestic and foreign risks, it expected to report a good result for the year; but Mr Maximilian Hackl, the chief executive, has avoided speculation about the likely dividend payment.

Bayerische Vereinsbank, which has group assets of DM 130bn, has paid a dividend of DM 11 a share in each of the last two years. It raised DM 293m in a one-for-seven rights issue last July, with the shares qualifying for a full year's dividend payment.

The bank said its interest-rate margin had been improving since mid-year because of lower refinancing costs, but that the margin was still not quite as high as in the previous year.

Flick set to relinquish control of Gerling in DM 500m deal

BY JONATHAN CARR IN FRANKFURT

MR HANS GERLING plans to regain full control of the West German insurance group which bears his name in a deal with Mr Friedrich Karl Flick, the entrepreneur, which could be worth about DM 500m ($198.4m).

Sources in the Gerling concern indicated that accord in principle had already been reached on the deal between Mr Gerling and Mr Flick but gave no details.

Mr Flick announced last week he was selling off almost all his industrial group for around DM 5bn but would keep for the present his controlling, indirect stake in Gerling.

Mr Flick has an 86 per cent stake in the VHDI industrial holding company, which in turn owns 51 per cent of the Gerling Konzern Versicherungs-Beteiligung AG (GKB), the holding for the Gerling group. Mr Gerling holds the other 49 per cent.

Word that Mr Flick was only keeping his Gerling stake for the time being has since prompted lively speculation about who might eventually acquire the shares.

There have been suggestions that another insurance company might take on at least part of the holding, in accord with Mr Gerling

But Gerling company sources said Mr Gerling aimed to take the whole stake himself.

The deal would mean a dramatic turnround in the fortunes of Mr Gerling, who sold 51 per cent of his company a decade ago in the wake of the collapse of Bankhaus Herstatt.

Mr Gerling had a controlling interest in Herstatt and agreed to raise several hundred million D-Marks to help make a court debt settlement possible.

New General Dynamics chief

By Our Financial Staff

THE BOARD of General Dynamics, the embattled US defence contractor, has formally elected Mr Stanley Pace as chairman and chief executve from December 31. He succeeds Mr David Lewis, who is retiring.

The company which earlier this month was temporarily suspended from receiving new government contracts after indictment by a US Grand Jury on charges of illegal cost overruns, said the election of Mr Pace completed the orderly transition of management responsibilities announced on June 1. That was when Mr Pace joined the company as vice chairman, having formerly been vice chairman of TRW.

Mr Gorden Macdonald, General Dynamics' executive vice president for finance and administration, is also retiring at the end of the year. A successor will be announced later.

Roche to take Sokeri stake

By Our Financial Staff

HOFFMANN-LA ROCHE, the leading Swiss pharmaceuticals concern, is to sell a 25 per cent stake in Xyrofin AG to Suomen Sokeri, the Finnish sugar company, and take a small shareholding in the Finnish group.

The sale will leave Roche with a 25 per cent stake in Xyrofin, which is a joint venture by the Swiss and Finnish companies.

Under the plan, Roche will take 100,000 newly issued Series II shares in Suomen Sokeri, which a spokesman described as a "marginal" shareholding designed to help the Finnish group to finance the acquisition of the additional 25 per cent of Xyrofin.

Icahn and TWA hold talks on merger terms

BY OUR NEW YORK CORRESPONDENT

OFFICIALS from TWA, the US transatlantic airline, were discussing yesterday a possible amendment to the terms of the agreed merger with Mr Carl Icahn, the Wall Street investor who concluded an apparently successful takeover of the group more than two months ago.

In the first public admission that the deal had hit a snag, TWA confirmed that it was in talks with the New York financier, who is believed to be encountering problems in raising sufficient funds to complete the merger. Mr Icahn has previously indicated that the full cost of the deal, initially estimated at about $825m, will amount to $1.27bn.

The Icahn-led group already has control of the airline after acquiring 52 per cent of the shares in a takeover battle in which it fought off a rival offer from Texas Air. Mr Icahn, however, is seeking a full merger.

Although it is not clear exactly how much finance Mr Icahn wants to raise to complete the bid – Wall Street believes that he would like some extra money to be able to fight a strike if necessary – it has been indicated that he is seeking to alter the mix of cash and securities originally determined for the takeover.

Under the initial proposals the minority shareholders were being offered $19.50 in cash and a further $4.50 in convertible preferred stock.

DG Bank expects capital increase

By Our Financial Staff

DG BANK expects to increase its capital by DM 350m ($138.8m) after taking over the business of Bayerische Raiffeisen-Zentralbank.

DG Bank, the West German central bank for the co-operative sector, needs the funds to cover an increase in balance-sheet volume of about DM 15bn to about DM 106bn after taking over BRZ's current business.

BRZ was rescued last week. It is understood that the bank's risk provision shortfall may be as high as DM 1.3bn.

ANZ Banking issue causes turmoil

BY MAGGIE URRY

THERE was turmoil in the Euro-Australian dollar market yesterday when Australia and New Zealand Banking (ANZ) launched an issue with a coupon far higher than other new issues.

Yields on Euro-Australian bonds are well below domestic bond yields, giving borrowers the chance to arrange attractive swaps but denying investors the better returns. Last week three issues appeared with coupons of 14 or 14½ per cent.

ANZ Banking's A$50m issue, which matures in January 1990, has a 15¼ per cent coupon, still giving the borrower a funding cost well below the Australian Government's domestic bond issues yield. This deal, led by Orion Royal Bank, was not swap-driven. The issue price is 100½, and it was quoted around the 1¾ per cent fees.

Launched at the same time, and suffering as a result, was an A$40m issue for Total, the French oil company, which matures in October 1990. The name may prove more popular among continental European investors than ANZ's, but the issue has a 14½ per cent coupon and par issue price, with fees of 2 per cent. Lead manager is Banque Paribas. It was quoted outside the fees almost immediately by the bond brokers. Last week's issues also fell outside their commissions, with the exception of Unilever's.

In the Eurodollar bond market only one issue appeared, a property-backed two-tranche deal for Equitable-Lord Realty, a company formed by Equitable Life Assurance. The deal is backed by the rental payments on the company's New York office building.

The first tranche, for $105.765m, matures after 10 years but has a 9.07 year average life. The coupon is 10⅛ per cent and the issue price 99¾. The second portion, for $100m, matures in December 1997 but has a 11.53 year average life. The coupon is 10½ per cent and the issue price also 99¾.

With fees of 2 per cent and 2⅛ per cent respectively, the issues were launched at yields of 85 and 95 basis points above US Treasury yields. Both were led by Goldman Sachs and are part of a financing package involving deals in the US.

In the D-Mark market, Westdeutsche Landesbank launched a floating-rate note issue for Den norske Creditbank raising DM 250m. This sector has been under a cloud as a result of an oversupply of paper. The new deal has a 10-year life and an 8 per cent maximum coupon. Otherwise, the coupon will be fixed at ¼ per cent above six-month London interbank offered rate. Issue price is par, and fees total 50 basis points, although German banks in the deal get an extra 10-basis-point listing fee. The issue was trading around the 50-basis-point fees.

CSFB-Effectenbank cut the coupon for the DM 25m five-year issue with equity warrants for Maruzen Showa Unyu from the indicated 3 per cent to 2⅞ per cent.

In the secondary market D-Mark bonds were little changed

An Ecu 50m issue was launched for Imatran Voima, the Finnish state-owned power company, by Kansallis-Osake-Pankki. This matures in January 1996 but has an eight-year average life. The coupon was set at 9 per cent and the issue price at par. Fees total 2 per cent, and the bonds were trading just within this discount.

The Swiss franc foreign bond market was dull with prices mixed. Banca del Gottardo cut the coupon for Nissin Sugar's SFr 50m issue with equity warrants from 3 per cent to 2⅞ per cent.

High yen to lift Japan's utilities, Page 25; International bond service, Page 24

INTERNATIONAL COMPANIES & FINANCE

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for December 9.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amev 10⅛ 92	100	101⅛	101⅝	+0⅜	−0¼	10.07
Amex Credit 10⅞ 90	100	103⅛	103⅝	−0⅛	−0⅞	9.86
Atlant Richfld 10¾ 00	250	97¾	98¼	+0⅛	−0⅝	10.51
Australia Com 11 95	200	106	106½	+0⅜	−0⅝	9.93
Australia Com 11¼ 00	100	106¼	106¾	+0¼	−0⅜	10.35
BP Capital 11⅛ 92	150	105	105½	+0¼	−0¼	9.93
Campbell Soup 10½ 95	100	103	103½	+0⅛	−0⅞	9.95
Canada 11½ 90	500	107	107½	+0⅛	−0¼	9.34
Canadian Pac 10¾ 93	100	104⅛	104⅝	0	−0⅜	9.87
Canadian Pac 12½ 99	75	108¾	109¼	+0¼	−0½	11.18
CEPME 10⅛ 91	100	101⅛	101⅝	+0¼	−0⅜	9.79
Chevron U.S.A. 12¼ 89	800	104½	105	+0⅛	−0¼	10.88
Citicorp 10 88	200	101⅜	101⅞	+0⅞	−0½	9.25
Citicorp 10⅝ 95	200	99½	100	+0⅛	−0⅜	10.65
Coca Cola 11¾ 91	100	107⅛	107⅝	+0¼	−0¼	10.01
Denmark Kingdom 11¼ 89	100	104½	105	+0½	−0⅛	9.51
Denmark Kingdom 11½ 90	100	105⅞	106⅜	+0¼	−0⅛	9.79
Denmark Kingdom 11½ 92	100	105¾	106¼	+0⅛	−0½	10.14
E.D.F. 10 95	225	99⅛	99⅝	+0⅜	−0¼	10.09
E.E.C. 9⅝ 90	350	99⅝	100⅛	+0⅛	−0⅝	9.63
E.E.C. 11⅛ 90	100	105⅛	105⅝	+0⅛	−0½	9.48
E.I.B. 12 95	200	110	110½	0	−0⅝	10.23
Eli Lilly 10¼ 92	150	103½	104	+0½	+0¼	9.47
Export Dev Corp 10 90	100	101⅝	102⅛	0	−0½	9.44
Export Dev Corp 12 89	100	108⅛	108⅝	−0⅛	−0⅜	9.32
Fed Dep Stores 10⅛ 95	100	99⅞	100⅜	+0⅛	−0½	10.08
Ford Motor Cred 11⅝ 90	100	103⅝	104⅛	+0¼	−0⅜	10.17
Ford Motor Cred 12 95	100	106⅛	106⅝	0	−0½	10.85
Gen Elec Credit 10¼ 00	200	102⅛	102⅝	+0⅛	0	9.92
GMAC 10¼ 89	200	101⅞	102⅜	+0¼	−0⅜	9.47
GMAC 10¼ 92	250	101⅛	101⅝	+0¼	−0⅝	9.96
IADB 10½ 95	150	101⅞	102⅜	+0⅛	−0¾	10.13
IBM Credit 10⅛ 2000	300	†102½	103	0	+0¼	10.00
Kellogg Company 10⅞ 90	100	103⅛	103⅝	+0¼	−0⅝	9.82
Kellogg Company 11¼ 92	100	105⅛	105⅝	+0⅛	−0½	10.02
L.T.C.B. 12⅞ 91	100	112⅛	112⅝	+0¼	−0⅜	9.98
Macy Cred Corp 11¾ 95	100	†102⅝	103⅛	+0⅛	−0⅛	11.22
Mitsui Trust 11⅝ 90	100	†105⅛	105⅝	0	−0⅛	10.06
Nippon Cred Bk 10½ 95	150	101¾	102¼	0	0	10.29
Pillsbury Co. 10¼ 93	100	99⅛	99⅝	+0¼	−0¼	10.35
Pru Realty secs 12⅛ 95	546	109⅞	110⅜	+0¼	0	10.35
Qantas Airways 10⅝ 95	140	102⅛	102⅝	+0⅛	−0¾	9.96
Quebec Hydro 11½ 92	100	107½	108	+0½	−0¼	9.91
Queensland Govt 10¼ 95	100	100½	101	+0⅜	−0¼	10.11
Ralston Purina 11¾ 95	150	107⅜	107⅞	+0⅛	+0⅜	10.41
Ralston Purina 12¾ 89	100	108⅝	109⅛	+0¼	−0¼	9.95
Saskatchewan 10¼ 92	100	104¼	104¾	+0⅛	−0⅜	9.73
Saskatchewan 11⅞ 89	100	107½	108	+0⅛	−0⅜	9.42
Statoil 10 90	170	101⅜	101⅞	+0⅛	−0¼	9.53
S Wales Trsy 11¾ 90	150	106⅝	107⅛	+0⅜	−0¼	9.72
Swed Exp Cred 10 92	100	100⅞	101⅜	+0⅛	−0¼	9.73
Swed Exp Cred 12¾ 89XW	100	107⅝	108⅛	0	−0½	10.09
Sweden Kingdom 10⅞ 90	200	104⅛	104⅝	+0⅛	−0½	9.58
Sweden Kingdom 11½ 89	200	106¼	106¾	0	−0¾	9.48
Sweden Kingdom 11¾ 94	100	106	106½	+0⅛	−0¼	10.30
Tenneco Corp 10¾ 95	150	101¼	101¾	+0⅛	−0⅜	10.47
Texaco Capital 10 95	300	†86½	88½	+0½	+0½	12.25
United.Tech Fin 10⅛ 95	100	101½	102	+0⅛	−0¼	10.31
Victorian Rep 11⅝ 92	150	106⅜	106⅞	+0⅜	−0⅝	10.14
World Bank 10⅛ 95	300	101⅛	101⅝	+0⅛	−0⅜	9.88
World Bank 12⅞ 94	200	114⅞	115⅜	+0⅛	−0⅜	10.16

Average price change On day +0⅛ on week −0⅜

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 8 94	200	105⅜	106⅛	0	−0¼	7.09
Austria Republic 7⅝ 94	200	104⅜	105⅛	+0⅜	+0½	6.85
Baxter Travenol 7¼ 94	200	101¼	102	−0¼	−0⅜	6.96
Copenhagen 7⅝ 95	150	101⅛	101⅞	−0⅛	+0⅛	7.14
Credit National 8⅛ 94	200	106¼	107	+0¼	+0⅜	7.03
Dow Chemical 6¾ 95	300	97⅞	98⅝	—	—	7.02
E.I.B. 7¼ 94	300	102	102½	0	+0⅛	6.91
Escom 8 92	150	—	—	—	—	—
Ex-Im Bk Korea 7⅝ 90	100	100	100½	0	0	7.54
Ferrovie Dello Stato 8 91	100	103⅝	104⅜	+0⅛	−0¼	7.06
Finland Republic 7 92	200	100½	101¼	−0⅛	−0¼	6.82
Gould Int Fin 7⅝ 91	100	102⅛	102⅞	+0⅛	+0¼	7.04
Ireland 8⅛ 92	150	103¾	104½	0	−0⅛	7.29
Japan Fin Corp 7⅝ 91	100	104⅛	104⅞	+0⅝	+0¾	6.62
Mitsubishi Hwy 3½ 89XW	300	91⅜	92⅛	+0⅜	+0½	6.33
Mitsubishi Met 3⅛ 89WW	100	104¾	105¾	0	0	1.76
Mitsubishi Met 3⅛ 89XW	100	89	89¾	0	+0¼	6.18
Quebec Hydro 7⅛ 95	200	102⅜	102⅞	0	0	6.73
Renfe 7¾ 95	100	102¾	103¼	0	0	7.29
Soc Cent Nuclear 7¼ 95	150	101	101½	−0¼	−0⅝	7.06
Societe Cent Nuclear 8 91	100	104⅝	105⅜	−0¼	−0⅜	6.87
Sth African Tran 7⅝ 92	100	91¼	92¼	−0¼	−0⅜	9.29
World Bank 7 95	600	100⅜	100⅞	0	−0¼	6.90

Average price change On day +0⅜ on week +0¼

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Avon Cap Corp 5⅝ 94	130	†*101	101¼	0	0	5.21
Brit land Comp 6½ 99	75	†105	105½	+0⅜	+0⅝	5.93
Council of Europe 6 92	120	†102	102¾	−0¾	−0¾	5.58
Creditanstalt 5½ 94	100	†100	100¼	+0¼	+0¼	5.46
Deutsche Bk Fin 5⅝ 95	100	†101¾	102	−0⅛	−1¼	5.11
E.I.B. 5⅞ 94	120	†102	102¼	+0¼	−0¼	5.56
Gen Occidentale 4½ 94	80	†*102½	102¾	−0½	−0½	4.14
Glendale Fed.S&L 5½ 95	100	†98	98¼	0	+0¼	5.75
Ind Fund Fin 5¾ 94	40	*101	101¼	0	0	5.59
Int-Am Dev Bk 6⅛ 94	120	†103	103¼	+0½	−0¼	5.67
N.Zealand steel 5¾ 96	70	†100	100¼	0	0	5.73
Oberos Kitwk 5⅜ 95	100	†100	100¼	0	+0¼	5.35
Olivetti Intl 5½ 95	100	†101	101¼	0	+0¼	5.34
Pepsico 5¼ 95	130	†101	101¼	−0½	0	5.09
Ralston Purina 5⅝ 94	125	†*102	102¼	+0½	0	5.07
Santos Finance Ltd 6 94	130	†99¾	100	−0¼	−0¾	6.02
Tokyo Elec Pwr 5½ 93	120	†101	101¼	−0¼	+0¼	5.30
Tokyo Metropolis 5¼ 94	80	†101	101¼	−0⅛	−0½	5.09
World Bk 5¾ 94	150	†102¾	103	+0⅝	+1¼	5.34

Average price change On day 0 on week 0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Caisse Nat Tele. 6¼ 92	25	97⅝	98⅛	−0⅛	−0⅜	6.64
Gdyr Tr & Rubber 7⅛ 95	25	101⅛	101⅝	0	−0¼	6.91
Mori Bk Denmark 7 92	10	100⅜	100⅞	0	−0⅛	6.87
New Brunswick 7⅛ 95	10	101⅛	101⅝	0	+0⅛	6.92
Swed Exp Cred Zero 90	14	72¾	73¼	−0⅛	−0⅛	6.78

Average price change On day 0 on week −0¼

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Barclays Aust 12⅝ 90A$	50	91¾	92¾	0	−1⅝	14.97
Creditanstalt 12⅞ 90A$	50	99¼	100¼	−0¼	−0¾	12.91
Pepsico Cap. Res. 13 90A$	50	102¼	103¼	0	−0⅜	12.18
Swed. Export Cred 13 88A$	40	96¾	97¾	0	+0¾	14.20
Amex 10¾ 90 C$	50	101⅜	101⅞	−0¼	−0⅝	10.25
Canadian Pac 10⅝ 90 C$	75	99⅝	100⅛	−0⅛	−0⅜	10.39
CIBC 10¾ 90 C$	75	†103¼	103¾	−0⅛	−0¼	9.78
Genstar Fin 11¾ 95 C$	75	101⅝	102⅛	0	−0⅛	11.39
Montreal 11½ 95 C$	75	105⅜	105⅞	−0⅛	+0¼	10.51
Sears Acc. Co 10⅝ 92C$	75	†98⅝	99⅛	−0⅛	−0¼	10.85
Winnipeg City 10⅛ 90C$	50	103⅛	103⅝	0	−0¼	9.85
Chrysler Fin Corp 17 89NS	65	97	98	0	+1	18.59
K.O.P. 16¾ 91 NS	50	91	93	0	−0¼	19.68
Kredietbank Lux. 17 88 NS	70	99⅞	100⅞	−0⅛	−0½	16.73
Bayer Vereins 8⅛ 88ECU	60	99¾	100½	—	—	8.32
Chrysler Fin Corp 9 92ECU	75	100½	101¼	—	—	8.82
Xerox Canada 8½ 90 ECU	40	98⅝	99⅛	—	—	8.82
Honda Motor WW 3⅞ 90FL	100	102⅞	103⅜	−0⅜	0	3.08
Honda Motor XW 3⅞ 90FL	100	89⅛	89⅝	0	−0⅛	6.61
Thyssen 7¼ 90 FL	50	100¼	100¾	−0⅛	−0⅛	6.36
Wereldhave 7½ 90 FL	75	102	102½	0	+0½	6.90
Wessanen 6¾ 90 FL	60	99¾	100¼	0	+0¼	6.74
Mobil Corp. 11⅛ 90 FF	500	101⅛	101⅝	+0⅛	−0⅞	10.72
Australia Comm 11 92 £	40	98⅛	98⅝	−0½	−1⅛	11.11
E.I.B. 11⅛ 93 £	50	98⅛	98⅝	−0¾	−1¼	11.23
GMAC UK Fin 10½ 90 £	30	98	98½	−0½	−1⅛	10.37
Imp Chem Inds 11¼ 95 £	75	99⅜	99⅞	−0⅜	−1⅜	11.30
Imp Chem Inds 10¾ 92 £	75	97⅛	97⅝	−0⅝	−1¼	11.30
Mcdonalds 10⅞ 90 £	40	100	100½	−0½	−1	10.76
Mitsubishi Fin HK 11 90 £	50	99	99½	−0⅝	−1⅛	11.18
NSW. Treasury 10⅝ 92 £	50	96½	97	−0⅝	−0⅞	11.32
Privatbanken 11⅞ 92 £	20	100¼	100¾	0	−0¼	11.72
Rank Xerox 11 92 £	40	97⅜	97⅞	−0¼	−0¾	11.52
Royal Ind 10¾ 92 £	60	96½	97	−0½	−1⅜	11.44
Ster Drug Cap 10⅞ 90 £	30	99⅜	99⅞	−0½	−1	10.95
Tricentrol XW 11 92 £	35	84½	85¼	−0⅜	−1¼	12.14
Trthouse Forte 11⅛ 90£	50	98¾	99¼	−0½	−1⅛	11.39
World Bank 11¼ 95 £	100	100	100½	−0⅝	−0⅞	11.16
C.O.E. 8⅞ 95 LF	600	98¾	99¼	0	−0¾	9.02
Nat Lux Alum 10½ 92 LF	600	103½	103½	+0¼	−1⅛	9.85

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Abbey National 5 2000 £	0	99½	99¾	15/1	11⅜	11.42
BankAmerica O/S 5¼ 96	0⅛	99¾	100	30/12	8⅛	8.14
Bankers Trust 5 2000	0	99¾	100	11/12	8.44	8.43
B.F.C.E. 5¼ 98	0⅛	100⅛	100⅜	13/12	8¾	8.73
B.N.P. 5¼ 95	0	101¼	101½	10/1	8.69	8.57
B.N.P. 5¼ 98 (July)	0¼	99⅞	100⅛	22/1	8¼	8.25
B.N.P. 5¾ 99	0⅛	100	100¼	22/3	8⅜	8.36
Britannia 5 93	0⅛	99⅝	99⅞	8/1	11½	11.53
C.C.F. 5¼ 97	0	99½	99¾	5/4	8.06	8.08
Chase Man'tn 5¼ 2009	0⅛	99⅞	100⅛	5/12	8.44	8.44
Citicorp 5 2035	0	99⅛	99⅜	27/1	8.23	8.29
Credit Lyonnais 5¼ 98	0⅛	100½	100¾	11/4	8½	8.45
Credit Lyonnais 5 00	0	100⅛	100⅜	10/1	7.94	7.92
E.E.C. 5 90	0	99⅝	99⅞	8/1	7.94	7.98
E.N.E.L. 5 00	0⅛	99⅞	100⅛	1/3	8⅜	8.38
Ireland 5¼ 97	0	99⅞	100⅛	28/2	8.44	8.44
Lloyds Bank Perp	0¼	100	100¼	8/12	8	7.99
Man-Hanover 5 97	0	99	99¼	22/2	8.19	8.26
Midland Bank Perp 6	0¼	100	100¼	19/12	8⅛	8.11
Nat West Perp A 5¼ S	0¼	100	100¼	9/1	8¼	8.24
Nat West Perp B 5½ S	0¼	100	100¼	18/2	8⅝	8.61
Roy Bk Scot 5¼ 2005 £	0	99⅛	99⅜	4/2	11¾	11.84
Societe Generale 5¼ 97	0	100⅛	100⅜	18/3	8⅝	8.66
United Kingdom 5 92	0	99⅞	100⅛	7/7	8.06	8.06

Average price change On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1053.64	125⅞	126⅞	+1⅜	8.75
Comcast 7 2000	12/85	23.875	†106	109	−0½	24.84
Fanuc 3¾ 98	1/84	7032.3	198⅛	199⅞	−1¾	61.27
Fuji Hvy Inds 3 2000	6/85	676	92⅞	94⅛	−1⅝	0.98
Fujitsu 3 99	5/84	1320.9	100½	101½	−2¼	8.22
Kumagai Gumi 3½ 2000	3/85	600	167⅝	169⅝	0	11.36
Marui 3½ 99	7/84	1182	151⅜	152¾	−0⅜	−0.44
Mitsubishi Bank 2⅞ 00	8/85	1768	97⅜	98⅞	−0½	−2.01
Mitsubishi Elec 2⅞ 00	3/85	422	100¾	101¾	−2⅝	−4.28
Murata 3½ 2000	7/84	2336	123	124	−1⅞	17.26
Nippon Elec 2⅞ 2000	1/85	1285	122⅝	123⅝	−1⅜	62.79
Nippon Oil Co 3 2000	5/85	923	104½	105½	+0⅛	0.89
Oki Elec Ind 3½ 99	10/84	805	104¼	105½	−0¾	−0.54
Sekisui House 3 99	6/84	612	155⅜	158⅝	+0¼	2.12
Sumitomo Bank 2¾ 2000	8/85	2142	94	95	+0⅝	5.04
Sumitomo Corp 2⅞ 99	5/84	593	131⅝	132⅝	−0⅝	0.88
Taiyo Yuden 5¼ 2000	3/85	1078	†105	107	0	−3.24
Takeda Riken 3⅝ 2000	10/84	7663	†100½	102½	−2	8.65
Tokyo Sanyo Elec 3½ 99	12/84	772	99½	100¾	−1¾	1.59
Toshiba Ceramics 3 2000	4/85	1734.2	100	101	−1⅛	1.86
Nippon Oil Co 2⅞ 92 SF	3/84	1052	†103	103¼	0	27.18
Nippon Shinpan Co 2 92 SF	3/84	801	†111	111½	−1⅜	11.12
Asics 5 92 DM	12/83	520	107¾	109	−0⅝	16.46
Renown 3⅛ 90 DM	3/85	675	105¾	106¾	−0¼	−1.84
Sum Realty 6¼ 92 DM	3/83	338	†363½	364½	−2¾	−2.33

* No information available-previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. *Change on week* – Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date – Date next coupon becomes effective. Spread – Margin above six-month offered rate (†† three month; § above mean rate) for U.S. dollars. C.cpn. – current coupon. C.yld – current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day – Change on day. Cnv. date – First date for conversion into shares. Cnv. price – Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem – Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Rabobank in Fl 47m bid

BY LAURA RAUN IN AMSTERDAM

RABOBANK, the Dutch co-operative bank, has launched a Fl 47.3m ($16.67m) friendly takeover bid for the Dutch Ship-Mortgage Bank, a financially struggling institution that it aided last year.

Rabobank is offering Fl 200 a share for the outstanding shares, or a 55 per cent premium over the last closing price before trading was suspended on December 5.

In December 1984 Rabobank stepped in with a Fl 35m subordinated loan to the mortgage bank and an option to acquire up to 35 per cent of its share capital. No shares have been bought under the option.

The acquisition fits into Rabobank's policy of expanding financial services to industry, according to the Rotterdam-based mortgage bank, which provides vessel loans for freighters, container ships and barges. Rabobank, based in Utrecht, is the country's largest bank with assets of Fl 132.4bn and is seen as providing the financial muscle to reverse the mortgage bank's sharp decline in business.

The mortgage bank expects to slip into the red this year on a continued slump in ship values and the fall in the dollar. Last year profits plunged to $258,000 from $1m in 1983 on a surge in shipowners' defaults and a dramatic shrinkage in sea-going transport.

Troubled Saarstahl may be taken over

BY PETER BRUCE IN BONN

FOUR of West Germany's biggest steel producers are studying a proposal under which they would assume control of Arbed Saarstahl, the country's troubled wire rods and structural steels producer.

The proposal, the source of which remains unclear, first emerged in the spring after the West German Government had made it clear it would make no more money available to Saarstahl following the DM 3bn ($1.2bn) in state aid pumped into the group since 1979. It is understood to involve Thyssen Stahl, Krupp Stahl, Klöckner-Werke, Salzgitter and the French-owned, Saarland-based Dillinger Hüttenwerke.

Arbed Saarstahl, West Germany's biggest dedicated producer of so-called long products, is nominally still part of the Luxembourg Arbed Group although Bonn and the regional Saarland government have an option to buy 76 per cent of it. Saarstahl already has a series of worksharing and technical arrangements in place with nearby Dillinger, but its loan repayments are proving too heavy despite a return to operating break-even

It is thought possible that the left-wing Saarland government, through its 51 per cent-owned Saarländische Investitions-Kredit-Bank, may exercise the option to buy the company – the state's biggest employer – and then try to cleanse its debt and persuade the major German steelmakers, or Dillinger, part of the Sacilor Group, to buy it. Both the Saarland and Bonn governments are helping to service the Saarstahl debt, but it is unlikely that Bonn would want to take up Arbed's option.

Wire and structural steels are currently loss-makers among the big producers. Even though the domestic construction industry is showing faint signs of recovery from its deepest post-war recession, fierce competition from the Bresciani, private producers in northern Italy, would make concentrating most German long product output on Saarstahl's modern works relatively attractive.

Nevertheless, industry spokesmen and independent observers insisted yesterday that what talks were being conducted had not progressed very far. The German steel industry is, in any case, riddled with internal rivalries, and a number of attempts to secure mergers between the major groups have collapsed in the past three years.

North American quarterly results

GULF & WESTERN
Entertainment, communications

First quarter	1985-86 $	1984-85 $
Revenue	809.3m	880.5m
Op. net profits	54m	32.2m
Opt. net per share	0.77	0.45

H. J. HEINZ
Food processing

Second quarter	1985-86 $	1984-85 $
Revenue	1.09bn	1.04bn
Net profits	74.9m	69.7m
Net per share	0.55	0.50
Six months		
Revenue	2.13bn	2.06bn
Net profits	158.5m	141.7m
Net per share	1.14	1.03

INTERNATIONAL COMPANIES and FINANCE

Interim jump for Hongkong Wharf

BY DAVID DODWELL IN HONG KONG

THE HONKONG and Kowloon Wharf and Godown Company, the property group controlled by shipowner Sir Yue-Kong Pao that early this year won a fiercely - fought HK$2.5bn (US$320m) *contest for control* of Wheelock Marden, yesterday posted afer-tax profits of HK$302.4m for the six months to September—an increase of almost 37 per cent on the HK$220.8m earned in the corresponding period last year.

The group's total tangible assets have leapt to HK$11.1bn from HK$6.3bn following the Wheelock takeover, which provides the Wharf *company with* a substanial retailing and trading operation.

Mr Peter Woo, the group's managing director and the son-in-law of Sir Y. K. Pao, said profits from Wheelock would "exceed expectations." Wheelock Maritime, Wheelock's 50 per cent-controlled shipping operation, was put into liquidation in July. Wheelock Marden suffered a loss of HK$281m last year.

Mr Woo said group net borrowings, which jumped to HK$2.6bn following the Wheelock purchase, had been trimmed to HK1.4bn by August this year, after Wharf arranged a HK$1bn commercial paper facility. In a group with a market capitalisation of about HK$20bn, he said, debts are "well within the group's debt servicing capabilities."

He said that the Wharf company had "a tremendous amount of resources available for investment," and was "actively looking at how to redeploy its capital," but did not point to any specific investment of takeover target. Barely a month ago, the group was narrowly outbid at a public auction when it offered over HK$600m for the right to develop a prime site in Kowloon.

The company said its prime retail, office and residential properties in Kowloon "have performed particularly well." Occupancies are understood to be over 90 per cent.

Similarly, the group's three hotels in the territory, The Marco Polo, The Prince and The Hong Kong Hotel, maintained high occupancy rates throughout the period under *review. From the beginning of* 1986, the group is to set up its own hotel management subsidiary to operate its hotels. This follows a dispute with the group currently managing its three Hong Kong hotels.

The Wharf board has declared an interim dividend of 8.5 cents per share, compared wih 7 cents at the half-way stage last year.

● Cheung Kong, another Hong Kong property group, is to *issue HK$1bn of three-year* commercial paper with the mandate likely to be awarded to Wardley and Citicorp International, Reuter adds from Hong Kong.

The underwriting margin will be a maximum of 12 basis points over one, two and three-month Hong Kong interbank offered rates, bankers said. The facility fee will be ⅛-point.

Wardley and Citicorp are seeking between eight and 12 co-managers for the issue, which is expected to be finalised within two weeks. Bankers said Cheung Kong would use the proceeds for general working capital.

US clashes with Japan on financial liberalisation

By Jurek Martin in Tokyo

JAPAN and the US have again clashed over the pace of financial liberalisation in Japan.

Mr David Mulford, the US Assistant Treasury Secretary, said yesterday that Japan had demonstrated "little evidence of intensified effort" to pursue liberalisation along the lines to which Japan had committed itself at the Group of Five *ministerial meeting in* New York last September.

After the latest round of regular consultations with Mr Tomomitsu Oba, the vice Minister of Finance, Japan was "not moving fast enough" to create a viable secondary market in Euroyen bonds and an effective market in new Japanese short-term government paper.

The US has consistently pressed Japan for the last two years on what it sees as the need to create an equivalent to the US Treasury bill market.

Japan does have such instruments but they are used primarily as a means of fine-tuning liquidity in the money markets.

Mr Mulford maintains that the proposed extended short-term *paper market as outlined* by Mr Oba would hold little interest for foreign investors in particular, because Japan intended to continue to apply withholding taxes on purchases.

Mr Oba countered that since the new government paper was considered a revenue bond, Japan had no alternative.

On Euroyen bonds, Mr Mulford argued that Japan was *still denying reasonable access* to Japanese residents. He was critical of the financial criteria the Ministry of Finance uses in determining which Japanese companies may issue Euroyen bonds.

Sharp rise for Pakistan Airlines

By Mohammed Aftab in Islamabad

PAKISTAN International Airlines (PIA), the national flag carrier, boosted earnings by 22.1 per cent in the year to June, to PRs 868.55m ($54.35m).

The company also announced that the government is shortly to sell a 4.7 per cent stake to the public, which will take the private shareholding to 9.81 per cent.

The government will then hold 50.77 per cent of the shares directly while state insurance companies have 4.27 per cent, the nationalised banks 35.06 per cent, and investment companies the fractional remainder.

The airline has expanded its domestic network to 29 cities, and its international network to 38 cities in Asia, the Middle East, Africa, Europe and the US. It carried 3.75m pasengers in 1984-85, nearly a quarter of a million more than the previous year.

The company said rationalisation of routes and better use of capacity aided the improvement in its results.

It announced an 18 per cent dividend for the year, up from 17.5 per cent. The dividend will be paid in the form of bonus shares.

Total revenue for the year was PRs 10.19bn compared with PRs 9.3bn in 1983-84.

High yen to lift Japan's utilities

BY YOKO SHIBATA IN TOKYO

JAPAN'S nine power companie, expect windfall gains totalling nearly Y114bn ($560.1m) from the yen's steep appreciation on their imports of dollar-priced commodities such as crude oil and coal in the current year to March 1986.

The forecast is based on the assumption that the yen averages Y210 against the dollar in the second half, an appreciation of Y48 over a year ago.

As is often the case when the yen is strong, the companies are encountering pressure from customers including industry and the general public to cut utility rate in order to redistribute the currency gains. However, the power companies are reluctant to cut rates, arguing that profits stemming from the yen's rise should be allotted to a price fluctuation reserve and other similar accounts.

The appreciation in the yen was chiefly the trigger for a request by the Ministry of International Trade and Industry (Miti) for the nine companies to spend an additional Y1,000bn on plant and equipment investment in the three years from next April.

Average capital spending among the nine is a little over Y3.000bn a year. The additional amount would bring a three-year equipment investment plan to Y11,000bn.

JAPANESE POWER COMPANY RESULTS (Ybn)

	First-half sales	%	First-half pre-tax profits	%	Full-year pre-tax profits (forecast)	Exchange gains full-year (forecast)
Hokkaido	222	+2.0	11.8	+7.4	28	0.4
Tohoku	571	+4.2	33.2	−14.3	70	10
Tokyo	2,106	+6.9	102.0	+6.6	260	40
Chubu	945	+4.3	68.7	+17.1	150	24
Hokuriku	192	+2.9	22.5	+5.4	45	3.5
Kansai	1,131	+3.4	65.4	−1.1	180	19
Chugoku	458	−0.2	28.2	+4.9	74	7
Shikoku	223	+1.4	22.6	+14.4	46	3
Kyushu	568	+2.5	26.8	+0.1	85	7
Total	6,416	+4.2	381.2	+4.5	940	113.9

Hyundai Motor share probe

THE KOREA stock exchange has ordered four domestic stockbrokers to submit reports by today on Hyundai Motor share transactions for November to investigate possible "share price manipulation," AP-DJ reports from Seoul.

An exchange official said it would investigate details of Hyundai share transactions through Dongsuh Securities, Dresin Security, Dongbang Security, and SSangyong Investment and Security Company.

He said the share price of Hyundai surged without any clear reasons and most of the transactions were carried through those four

Downturns for OCBC offshoots

By Chris Sherwell in Singapore

FRASER & NEAVE, the soft drinks manufacturer, and Malayan Breweries, two Singapore companies linked to the OCBC banking group, have *reported declines in net profits.*

The group is dominated by the Oversea-Chinese Banking Corporation (OCBC), one of the big four local banks, and includes other companies like Straits Trading and Great Eastern Life Assurance in a complex web of ownership.

Fraser & Neave reported a 5.1 per cent fall in group net profits to S$39.7m (US$18.8m), for the six months to September. Turnover increased by *11.5* per cent to S$559m.

Malayan Breweries showed a 12.7 per cent decline in group net profit, to S$15.1m for the full year to September. Turnover was up by 16.1 per cent to S$133m.

Both companies have suffered from Singapore's poor trading conditions. Fraser & Neave said its tax charge was relatively high and was pleased to have maintained earnings at the pre-tax level.

George Tan bailed

MR GEORGE TAN, former chairman of the collapsed Carrian group, who was arrested at the weekend on new charges of bribery and conspiracy to defraud, has been freed on bail, Reuter reports from Hong Kong.

Bail was maintained at HK$52m (US$6.7m), the amount set under two previous counts of conspiracy to defraud linked to the collapse of Carrian Investments in 1983. Also released on bail were Mr Bentley Ho and Mr Carrie Woo.

This announcement appears as a matter of record only.

Project Financing
Term Loans

MARI GAS COMPANY LIMITED
Pakistan

DM 33,915,000
¥ 2,000,000,000

Fixed Rate Portions
Provided by

International Finance Corporation

U.S. $12,000,000
DM 22,800,000

Floating Rate Portions Provided
Through IFC Participations by

Bank of America NT & SA
Banque Indosuez
The Hongkong and Shanghai Banking Corporation
Standard Chartered Bank
Crédit Commercial de France

November, 1985

NOTICE OF EARLY REDEMPTION

Kingdom of Sweden

U.S.$150,000,000
Floating Rate Notes Due 1995

Notice is hereby given that in accordance with Clause 6(a) of the Terms and Conditions of the Notes, the Kingdom will redeem all of the outstanding Notes at their principal amount on 16th January, 1986, when interest on the Notes will cease to accrue.

Repayment of principal will be made upon presentation of the Notes with all unmatured Coupons attached, at the Offices of any one of the Paying Agents mentioned thereon.

Accrued interest due 16th January, 1986 will be paid in the normal manner against presentation of Coupon No. 6 on or after 16th January, 1986.

Bankers Trust Company, London Fiscal Agent

10th December, 1985

NOTICE OF EARLY REDEMPTION

U.S.$50,000,000

Alcoa of Australia Limited
(Incorporated in the State of Victoria with limited liability)

ALCOA AUSTRALIA

16% Notes Due 1989

Notice is hereby given that pursuant to the Condition 6 (b) of the Notes, the Company will redeem all of the Notes at 101% of their principal amount on the next interest payment date, 15th January 1986, when interest on the Notes will cease to accrue.

Repayment of principal will be made upon presentation and surrender of the Notes, with all unmatured coupons attached, at the offices of any one of the Paying Agents mentioned thereon. Coupon No. 4 which matures on 15th January 1986 should be detached and presented for payment in the normal manner.

Bankers Trust Company, London
Fiscal Agent

10th December 1985

PAN-HOLDING

Societe Anonyme Luxembourg

As of November 30, 1985, the unconsolidated net asset value was US$191,130,249.49, i.e. US$273.04 per share of US$50 par value.

The consolidated net asset value per share amounted as of November 30, 1985 to US$281.18.

STOCKHOLDERS FAR EAST INVESTMENTS INC.

Net Asset Value
30th November 1985

$2.95

per share (unaudited)

ENERGY RESOURCES & SERVICES INCORPORATED

Net Asset Value
30th November 1985

$7.20

per share (unaudited)

Chloride profits wiped out midway

ON TURNOVER showing a fall of 17 per cent, taxable earnings in the first half were wiped out by Chloride Group against profits last time of £5.4m. The profit performance is described by Sir Michael Edwardes, chairman, as unsatisfactory and warned that in the second half the results are unlikely to be better than the £8.8m for the comparable period last time.

Mr Ken Hodgson, will be giving up his chief executive position in January. A successor is to be announced later. In the meantime Sir Michael will chair the group management board in addition to being non-executive chairman.

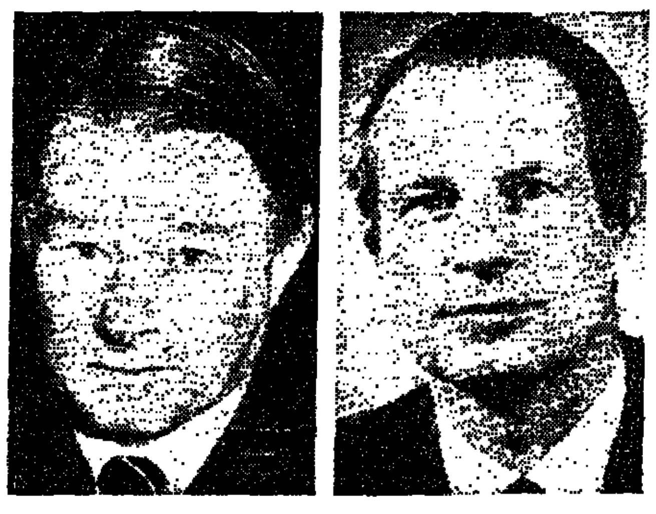
Mr Hodgson will retain his chairmanship of the group's major South African subsidiary.

In the six months to the end of September 1985 turnover for the maker of batteries and related systems fell from £192.5m to £159.9m. The stated loss per share came out at 5p against 1.5p last time and again only the dividend on the 4.2 per cent preference stock will be paid.

The last ordinary dividend was 4p, paid in respect of the 1979-80 year. A dividend on the 7.5 per cent cumulative convertible preference shares was made at the interim stage last year but deferred at the year end. Arrers amount to £5.4m, or 29.24p per share.

Sir Michael says that the group's objective is to improve margins and cut costs at all levels to those in line with its reduced size.

"We have good businesses, now backed by a sound balance sheet, and we must improve their profitability as quickly as possible," he tells shareholders.



Sir Michael Edwardes (left), chairman of Chloride Group and Mr Ken Hodgson, chief executive

During the period the North American automotive and motive power battery businesses and the companies in Australasia were sold to Dunlop Olympic. The results include turnover of £34.6m and pre-tax losses of £2.1m relating to the companies.

The sale raised £34.5m, with a profit of £5.7m being taken into the accounts below the line as an extraordinary credit. The proceeds were used to reduce borrowings and in addition loans of £21m attaching to the businesses are no longer a group liability.

Sir Michael says that despite the adverse effect of exchange rates movements on reserves, gearing fell from 75 per cent to less than 35 per cent.

"The balance sheet has therefore been strengthened considerably and management has done a good job in this respect. Profit performance is another matter and this has been unsatisfactory despite continuing good performance from overseas," he adds.

Operating profits came out at £4.4m (£10.6m) with the share of associated companies adding a further £300,000. The pre-tax result was struck after interest charges of £4.7m.

There was an overseas tax charge of £4.1m (£5.1m) and minorities took an unchanged £1.2m, leaving attributable losses, before extraordinary items, of £5.3m (£900,000).

Sir Michael says that Chloride Silent Power, which is jointly owned with the Electricity Council, continues to make progress in the development of the BETA (sodium sulphur) battery. In September the US Department of Energy awarded the company a $8m contract for continuing research and since then a $9m contract has been secured from the US Electric Power Research Institute for the development of the battery for load levelling purposes.

● comment

Fixing up the balance sheet was a precondition of Chloride's survival as a company, even if it meant disposing of half the group's more interesting businesses. But bringing the balance sheet gearing down by 40 percentage points was not enough to ensure the survival of the chief executive—not, at any rate, in a half year when the group had nothing to show for its efforts in the profit and loss, and the preference dividend had to be put back yet again. Since interest costs will henceforth be at about half their previous level, it is probable that Chloride will have some sort of pre-tax profit for the full year. Thereafter, Sir Michael Edwardes' return should at least strip out as thick layer of costs; how much of Chloride remains as a viable business to be inherited by the next chief executive is a question that candidates will want to think about with care. So will shareholders of all three classes; yesterday the ordinary dropped

Hazlewood moves into nuts and popcorn

By Lionel Barber

HAZLEWOOD FOODS, the fast-growing pickles and pizza group, is to pay £9m for Bard Group, the privately-owned nuts and popcorn business.

Yesterday's announcement of the Bard deal came as Hazlewood revealed a 56 per cent rise in pre-tax profits for the first six months to last September on turnover of £53m, double the previous year.

The purchase of Bard, which ranks as one of the UK's top nut manufacturers, is Hazlewood's first move into the snack foods and confectionery business.

"It is a growth area where we intend to expand," said Mr Dennis Jones, Hazlewood's finance director yesterday.

Last June, Hazlewood raised £20.5m through a one-for-one rights issue and the Bard deal is the latest of a string of acquisitions. Last September, it paid £10m for Olaf Foods, the frozen fish and ethnic meals subsidiary of Bejam, the frozen food retailer.

Bard Group made £1.32m pre-tax profits for the year ended last October, compared to £757,000 in 1984. The group invested some £386,000 in new plant and equipment in 1983 and 1984 and has a freehold factory in East Ham and two leasehold factories at Harlesden, in north-west London.

Hazlewood is to pay £2.9m in cash out of its own resources for Bard. In addition it is raising £5m through a vendor placing and will allot 136,426 new ordinary shares valued at around £1.09m. These new shares will be retained by the company.

Hazlewood shares rose sharply yesterday closing at 780p up 13p on the day.

The sharp increase in turnover for the first six months of this year reflects the recent acquisition of the Knights European Food Group. Mr Jones said that though sales were considerably higher, margins had suffered slightly.

However, he pointed out that earnings per share at 14.98p (compared to 12.42 adjusted) had grown by 20.6 per cent. Hazlewood is paying an interim dividend of 4p (3.3p).

A further payment for Bard may be necessary, depending on the profits achieved by manufacturing during the five month period to March 1986.

Gartmore profits slide and US troubles ahead

BY CHARLES BATCHELOR

A SHARP profits decline at Gartmore Investment Management, which controls £2.2bn worth of funds, was announced yesterday by Exco International, the money broking group which is Gartmore's majority shareholder.

Gartmore's pre-tax profit in the year ending December 31 is expected to be substantially lower than the £4.37m profit in the exceptionally good year 1984, Exco said. There is unlikely to be any improvement in 1986. In September it announced Gartmore's first half trading profit had fallen.

Gartmore's profits downturn was disclosed in a document from Exco outlining its plans to exchange its 50.1 per cent in Gartmore and 40 per cent of Fisdec, a small venture capital company, for the 30 per cent holding in London Forfaiting held by British & Commonwealth Shipping.

Exco and B & C are unravelling their business interests following the resignation of Mr John Gunn as chief executive at Exco and his move to an executive directorship with B. & C.

Tan Sri Khoo Teck Puat, the Malaysian businessman who has built up a 24.9 per cent shareholding in Exco, was disappointed with the amount of information contained in Exco's formal document explaining the exchange of shareholdings, according to J. Henry Schroder Wagg, his merchant bank adviser. "The document does not value the assets being transferred and gives little information to allow an evaluation," Schroders said.

Tan Sri Khoo is also dissatisfied with Exco's offer, contained in yesterday's document, of two non-executive positions on its board. "We still feel that is not equitable given that there are 21 directors on the Exco board at the moment," Schroders said.

No decision has yet been taken by Tan Sri Khoo as to whether he should vote against the exchange at the extraordinary meeting called by Exco for December 23. The proposal requires a simple majority to be carried.

Exco, which bought its majority holding in Gartmore from B & C in August 1983, said Gartmore had also failed to establish itself in the US.

Gartmore bought 51 per cent of Kingsley, Jennison, McNulty & Morse, a San Francisco company, in May 1984. KJMM had $800m of funds under management but has since suffered a loss of funds, Exco said.

In addition Gartmore's venture capital investments in the US West Coast have given rise to significant losses both in Gartmore and in the funds managed. These losses may well require the injection of significant further equity capital into Gartmore, Exco said.

Gartmore experienced a major boardroom upheaval soon after Exco took control. Four Gartmore directors resigned in mid 1984 and in April 1985 Mr Adrian Collins, the managing director, also resigned.

Fisdec has written off or made provision for $8m worth of the $9m of dollar funds invested and half of the £800,000 of sterling funds invested. It will show a significant accumulated deficit at December 31, Exco said.

London Forfaiting, the company over which Exco will take full control, increased pre-tax profits to £4.44m in the six months ended June 1985 from £1.96m in the preceding eight months, its first trading period. It has continued to trade at these higher levels in the second half of 1985, Exco said.

Stock Conversion profits jump

BY MICHAEL CASSELL, PROPERTY CORRESPONDENT

Stock Conversion, the major UK property group in which Stockley holds an unwelcome 26.5 per cent, yesterday announced a large increase in interim profits.

The group, which is in the final stages of resolving, with Stockely, the future of the seven-month-old shareholding achieved pre-tax profits of £12.14m in the six omnths ended September 30, compared to £9.48m in the same period of the previous year.

Neither side in what has been very difficult discussions is commenting on progress, but it is thought an agreement on a way to resolve the position will be announced shortly. A series of options have been considered, but the outright acquisition of Stockely or a share-property swap between the two parties appear to be the most likely course.

Stock Conversion's interim dividend rises from 2.5p to 3.5p and the £30m sale of the White City stadium site to the British Broadcasting Corporation, together with retained profits, helped push up net assets per share at the half-way stage by 49p to 585p. The BBC sales generated a capital surplus after tax of over £20m or 38p a share.

Profits on investment activities rose from £8.9m to £10.3m, while dealing profits increased from £0.6m to £1.9m. Mr Jonathan Lane, joint managing director of Stock Conversion, said that the group's current capital development stood at around £60m but that, over the next two or three years, the figure was expected to rise to £100m and remain at that level.

The commitment is likely to mean that the group will consider some form of money-raising exercise over the medium term.

Mr Lane said the latest results provided ample evidence that the group was actively and sucessfully managing its own affairs and that it could, without outside help, offer shareholders the prospect of continuing growth.

Stock Conversion was anxious to see an end to the uncertainty created by Stockley's presence and "constructive and continuing" discussions were being held with that aim in mind," he added.

Stock Conversion has recently submitted a planning application to develop 190,000 sq ft of offices on a site close to the Old Bailey in the City of London. It has completed the latest refurbishments on its Chinatown Estate in Soho and, with Electra Investment Trust, has just announced its decision to back Pembroke, a newly-formed retail development company to be run by Mr Colin Molyneux of Molyneux Rose, the estate agent, and Mr Johnnie Arkwright, formerly of Grosvenor Developments and Hatton Developments.

London listing for Lexicon

Lexicon, a company based in Boston, Massachusetts, which designs, manufactures and sells digital audio equipment, is being floated on the London stock market with a value of £10.2m.

L. Messel & Co. is offering for sale 3.5m shares at 115p each, representing 40 per cent of the equity. Existing shareholders are selling 800,000 shares, with the remainder being sold by the company to raise £2.6m after expenses. The new money will be used to repay its borrowings and to expand its business.

The company, which was founded in 1971, claims to have produced the world's first digital audio processing device. Its products enhance and manipulate sound electronically, and are used by the music and broadcast industries.

Lexicon's main product is a digital reverberator which can make a recording sound as though it came from a concert hall or from a small room. Last year reverberators accounted for about 80 per cent of the company's turnover.

In each of the last five years, Lexicon has invested at least a quarter of gross profits in research and development, spending $1.6m last year. Much of this has been spent on developing a random access digital audio recorder, processor and editor, which will be sold at a higher price than Lexicon's existing products, and for which the directors expect there to be a large market.

Profits have grown from $718,000 in 1981 to $1.7m in the year to August 1985, on sales up from $3.8m to $10.5m. The directors consider it to be too early in the current year to make a profit forecast.

At the offer price of 115p the shares are on a price earnings ratio of 13. The yield is 2 per cent.

Dealings in the shares begin on December 19.

● comment

However anxious one might feel about faddishness in the music business, or about the threat to the small fry posed by powerful Japanese manufacturers of audio equipment, this issue seems attractive enough to overcome such worries. The modesty of the p/e ratio says much about investors' suspicion of US companies who choose to raise money here. However, Lexicon's reasons for doing so are persuasive—for a small high tech company, floating in the UK is both simpler and cheaper than doing so in the US. If Lexicon's margins are much slimmer than those of AMS, its obvious UK quoted competitor, it is because it spends much more on R & D and on marketing. The length of its profit record is reassuring, as is the respect it appears to command within the industry. The new disc project, while exciting, is a completely unknown quantity, and it may be a while before its benefits fall through on to the bottom line.

Dobson slows in second half

WITH MOST of the increase coming in the first six months, taxable profits of Dobson Park Industries rose to £8.72m for the year ended September 28 1985, compared with £7.06m previously a rise of 23.5 per cent. At halfway the surplus was ahead from £4.45m to £5.68m, and directors of this mining machinery, engineering and power tools group were confident of an overall improvement at the year end.

They had warned, last February, that the shadow of the miners' dispute and its aftermath must temper any views they had for the second half—profits for that period amounted to £3.05m against £2.62m.

Earnings per 10p share are given as 7.3p (4.9p), after tax £2.63m (£2.99m), but the dividend is unchanged at 5.21p net with a same-again final payment of 3.31p.

The directors say that no allocation of profit will be made to the employee share scheme, approved by members on February 14 last, in respect of the year.

Of the pre-tax figure for the year mining equipment accounted for the major part, with £6.64m, against £5m last time, while the remainder was split as to: power tools £2m (£2.31m restated), engineering £1.22m (£357,000 restated), property and investment management £857,000 (£942,000), foreign currency adjusted and interest £2m (£1.55m).

Group turnover rose from £191.25m to £204m and gross profits amounted to £44.52m, compared with £40.56m. Other operating expenses totalled £34.73m (£33.26m) while the pre-tax figure was after the share of profits of associates, £522,000 (£608,000), interest charges of £2.61m (£2.66m), and investment income, lower at £1.02m, against £1.8m. There were also increased redundancy and reorganisation costs of £1.25m (£584,000) and adverse currency adjustments of £36,000 (£690,000).

Below the line there were extraordinary debits of £1.42m (£962,000), adjustable for attributable tax, which left a balance of £4.67m (£3.11m).

The extraordinary items comprised loses, after tax relief, of £420,000 on the redemption of the share capital representing the group's 41.6 per cent interest in Turner-Morris, South Africa, and £996,000 on the discontinuance of a daisy wheel printer for use with small business computers.

● comment

Dobson Park had warned at the half-way stage that mining equipment sales would be badly hit in the second half but in the event the worst fears seemed to have been overdone and the market expressed its relief by putting the shares up 5½p to 86p. This is not to say the group's troubles are quite over: capital spending from the Coal Board has still not recovered and profits in that quarter are unlikely to be far ahead this year. Power tools will have benefited from last year's reorganisation and should make some modest progress but the real growth seems likely to come from engineering, where a rationalisation of the division's activities is likely to bring a substantial recovery in the core operations, notably Markon Engineering. For the full year about £10.5m is in sight, putting the shares on a prospective p/e ratio of 11 after a 37 per cent tax charge — a level still supported more by the attractive yield than the prospect of an early return to the profit levels of five years ago.

BINDER HAMLYN have been appointed auditors of Fleet Holdings, owners of Express Newspapers, replacing Touche Ross. Fleet was acquired by United Newspapers earlier this year in a fiercely contested £317m takeover battle.

KIO lifts stake in Royal Bank

THE Kuwait Investment Office has raised its stake in the Royal Bank of Scotland from 8.2 per cent to 14.7 per cent by acquiring part of the large block of shares sold last week by Lloyds Bank.

The KIO first became an investor in the Royal Bank 10 years ago.

The bank said yesterday that it had always regarded the Kuwaitis as investors and was not concerned by their increased holding. There was no indication that any other large holders had emerged as a result of the Lloyds sale.

Royal Bank's shares closed last night at 264p, down 2p on the day.

Lloyds Bank owned 16.4 per cent of the Royal Bank, but decided to sell the stake last week because it no longer fitted with its strategy.

Petbow shares suspended

Shares in Petbow Holdings, the manufacturer of diesel generating sets and welding equipment, were suspended yesterday at the company's request, pending an announcement. At the suspension price of 48p, Petbow has a market capitalisation of £6.24m.

Petbow made heavy losses in 1982-83 and 1983-84 because of problems in its large overseas markets, such as Nigeria and Iraq. Since then the group has restructured, to increase UK orders and improve management controls, and it moved back into the black in the year to last March, with pre-tax profits of £0.72m on turnover of £19.5m.

Osprey profit down 56%

Osprey Communications, advertising agency holding company, failed to meet its expectations and pre-tax profits fell 56 per cent in the half-year to September 30 1985 from £64,000 to £28,000.

The board is deferring a decision on an interim payment. Last year 0.5p was paid mid-way with a final payment of 0.75p on £200,890 profit before tax.

Turnover in the period rose from £660,000 to £1.74m. However, profits at Ralston, Mitchell, Bingham (Advertising and Marketing), fell well below those of the corresponding period last year. This was caused, Osprey says, by a small decline in turnover accompanied by a lower average profit margin. The resulting fall in gross profits was intensified, it says, at the pre-tax level by increased overheads.

UK COMPANY NEWS

Forgemaster write-down leaves JFB £26m in red

Johnson & Firth Brown's involvement in the loss-making Sheffield Forgemasters joint venture has left the specialist engineer with an attributable loss of £25.75m for the year to September 30 1985, wiping out a pre-tax profit of £3.68m, up from £2.1m, from the group's ordinary activities.

JFB's investment in Forgemasters has been written down to £1, at a cost of £13.4m (nil). Forgemasters' losses totalled £25.71m, against £8.25m, including the write-down, and have been treated as extraordinary items.

Mr John Clay, the chairman, said that most of the group's operating companies prospered in the improved business conditions following the end of the miners' strike, and benefitted from the maintainance of the higher level of demand within the aerospace, general engineering and the automotive industries.

He added that he believed that JFB had the necessary strengths to build on the progress achieved in the past two years, and looked forward to further improvement in 1986.

JFB's otherwise profitable performance has for some time been overshadowed by the Forgemasters' venture, which the company entered along with the British Steel Corporation in 1982. Announcing the write-down last month as part of a broader capital reduction plan, the company said it hoped to be able to resume dividends in 1987 after a six-year absence.

For the year under review, the profit and loss account has been restated to distinguish the Forgemasters figures from those of the rest of the JFB group. Because of the write-down, the joint venture's losses will no longer figure in the accounts.

At the period end, net borrowings were £29.9m, but Mr Clay said that these would be reduced to £19m (of which £13.1m is in the form of 11 per cent unsecured loan stock 1993-98) once the sales of the US subsidiary Cannon-Muskegon and the UK machine tool offshoot Richard Lloyd have been completed.

Turnover came to £113.87m (£112.39m) and, excluding Forgemasters, produced operating profits of £6.81m, against a comparable £5.44m. Interest charges were slightly down at £3.52m against £3.69m, and the company got £394,000 (£346,000) as its share of associates profits. Tax took £1.01m (£781,000) to leave a profit of £2.67m, against £1.32m, on ordinary activities.

An extraordinary debit of £2.71m (£1.41m) included a £2.36m loss on the Richard Lloyd disposal.

The Forgemasters' loss comprised: share of trading loss for the year of £7.64m (£6.2m); a tax credit of £155,000 (debit £155,000); a £4.82m (£1.89m) share of extraordinary debits; and the £13.4m debit on the written down investment.

● comment

The market knew what it had coming to it from Johnson and Firth Brown and so these results, extraordinary as they looked with a nice increase in profits dwarfed by an enormous extraordinary write off, left the shares unchanged at 25½p. Profits, exactly in line with the forecast made at the time of the capital reduction last month, have been moving ahead at all of the group's companies largely as a result of rationalisation and better housekeeping. Of more immediate interest to the market than the steady improvement in trading profits is the resolution of the Sheffield Forgemasters problem, which had hitherto turned all profits made by the rest of the group into losses. The sale of Cannon-Muskegon, the US subsidiary, will have the effect of reducing post tax profits by about £1m, rather less than the resulting interest saving. The shares have recovered sharply since the reconstruction, and should go further if the group can achieve continued progress in its slimmer, fitter form.

Increased BET bid wins the backing of Sparrow's board

BY MARTIN DICKSON

BET, the diversified services company, has increased the value of its takeover bid for G. W. Sparrow, the crane hire company, from £7.05m to £7.4m and won the backing of the company's board for the offer.

Directors of Sparrow and their close families have given irrevocable undertakings to accept the offer for their own shares, which total 29 per cent of the equity.

The trustees of family trusts holding 8.3 per cent are also expected to accept. These shares, together with previous acceptances, would give BET 38.1 per cent of the company.

BET originally offered one of is shares for every five Sparrow. With BET closing last night at 357p, down 8p on the day, that values each Sparrow share at 71.4p.

It has now agreed to offer 21 of its shares for 100 Sparrow shares, valuing the latter at 74.9p each and the whole group at £7.4m.

The original offer had a cash alternative of 60p and this remains unchanged.

BET is also involved in a hostile takeover bid for SGB, the scaffolding company, and had received acceptances covering 15.1 per cent of its share capital by last Friday's first closing date.

Mr Nicholas Wills, chairman of BET, said of the Sparrow agreement: "The increase in our own share price narrowed the gulf between the two sides and we have now avoided further bruising exchanges."

The offer for Sparrow was made only four days after it had announced a pre-tax loss for the six months to June of £757,000 (profit £262,000), due to the impact of reorganisation costs.

BET described the company as a weak one in an industry suffering from over-capacity. "A series of management changes has failed to halt its decline and, meanwhile, its borrowings have risen to a very high level," it claimed.

Sparrow countered by claiming that the offer was cheap, that BET did not understand its business.

STONE INTERNATIONAL, international systems engineer, has made its fourth acquisition in just over a year with the purchase of PLC Peters, a leading UK supplier of doors and door operating systems, for £1m cash. Peters has a turnover of £4m.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Walter Alexander¶ ...int.	2.5	—	2.25	—	6
Caffyns ...int.	2.2	—	2.2	—	4.5
Dobson Park ...	3.31	—	3.31	—	1.7
F. & C. Alliance ...int.	0.58	Jan. 21	0.55	—	1.7
Hazlewood Foods ...int.	4.0	—	5.5	—	13.5
Hunslet Holdings ...	2	—	8.5	2	8.5
A. Preedy & Sons ...int.	1.0	Feb. 10	1.0	—	3.88
Property Holdings ...int.	1.02	—	0.89	—	2.5
Stock Conversion ...int.	3.5	Jan. 27	2.5	—	7.5
Tiphook ...int.	1.25	—	—	—	—
Vinten ...int.	1.05	Mar. 27	1.05	—	3.15
West's Group ...int.	2.5	—	2.5	—	5.5
Whitecroft ...int.	2.5	Feb. 3	2.3	—	7.7
Windsor Securities ...	0.1	—	0.75	0.65	1.25
Wolverhampton Brews.	5.7	Jan. 20	5.05	8.55	7.6

Dividends shown in pence per share except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Granville stock.

COMPANY NEWS IN BRIEF

PROPERTY HOLDING & Investment Trust increased revenue before tax from £2.75m to £2.99m in the six months to September 30 1985, and has raised the interim dividend from 0.890 to 1.02p. After a substantially reduced tax charge of £838,000 (£1.21m), earnings per share came out at 2.62p (1.95p). The directors say that it is the company's intention to maintain steadily increasing dividends, and the present good cover will help make this possible.

G. F. LOVELL, confectionery manufacturer, achieved profits in half year ended September 28 1985, of £4,000 (loss £8,000). No tax (credit £3,000) leaving earnings per share 0.33p (loss 0.66p). Move to new factory in Newport (Gwent) area is on course and will be completed by March. Company is a subsidiary of Kirby and West.

R. H. MORLEY Group, polythene film and bag manufacturer, raised turnover and profits before tax to £2.24m (£1.81m) and £80,172 (£72,450) respectively, in the half year ended September 30 1985. With growing confidence of its customers the group is maintaining consistently high order levels and is making up some of last year's lost grund. Its shares are traded on the USM.

BALTIC, the UK financial group recently taken over by the Norwegian Nevi Group, reports a profit before tax of £4.03m for the year ended July 31 1985, against £3.31m, from turnover of £12.51m (£11.29m). The year saw considerable expansion in all activities. Much time has been spent on reorganising Chieftain Group of unit trusts and their investment performance has already shown improvement. Company has acquired the Marlowe Sachs group, which brings in a small retail force with access to insurance and mortgage related products; and agreed to buy Finance for Housing for £250,000.

CREST NICHOLSON says that its offer for C. H. Pearce and Sons has become unconditional, having been accepted in respect of 93.4 per cent of the shares. Crest shares to be issued as consideration have been admitted to the Official List. The offer remains open.

GRANYTE SURFACE Coatings, supplier of wood finishes to the furniture, DIY and joinery trades, is coming to the USM via a placing by James Finlay Corporation. Last year Grantye acquired the industrial wood finish business of ICI and now claims to have about 30 per cent of the wood finish market. It made pre tax profits of £945,000 in the year to last February.

PRESTWICH HOLDINGS had started well in the current period and the board was very optimistic of a successful outcome for the full year, members were told at the AGM. All divisions of the engineering products and optical goods group were trading very successfully. Future growth was expected to be both organic and by acquisition and the board was looking at a number of opportunities.

THROGMORTON TRUST has purchased from Temple Bar Investment 350,000 shares in Alva Investment Trust. Mr R. W. Seabrook, managing director of Throgmorton Investment Management Services and deputy chairman of Throgmorton Trust and Mr T. P. Hillgarth, a director of the former, will join the Alva board. The stake represents 20 per cent of Alva's capital and is intended as a long-term investment.

TRANSPORT Development Australia, part of the UK-based Transport Development Group, increased pre-tax profits by 30 per cent in the year to September 30 1985 from A$2.82m to A$3.68 (£1.71m). Turnover rose 26 per cent from A$39.54m to A$49.71m. Earnings per share rose to 20.7 cents (17c).

LISTER & CO, textile manufacturer, reports first half to September 28 1985 profit up from £25,000 to £607,000, on turnover £20.06m (£16.23m). Dividend will be considered when full results available (0.25p paid for last year). Attributable profit £540,000 (loss £11,000) and earnings 3.22p (loss 0.13p). Subsidiary Joseph Hoyle produced profit of £107,936 (£13,834) in half year on turnover £3.16m (£2.42m). Earnings 13.18p (1.42p).

PWS International, insurance and reinsurance broker, saw both turnover and profits fall in the six months to September 30 1985. Pre-tax, the result was £100,000 down at £591,000 on turnover of £3.76m against £5.22m. The interim dividend is held at 3p with earnings per share up from 3.4p to 5.5p after a lower tax charge of £206,000 (£448,000). The chairman says that as usual the majority of the profit will come in the second half, though he cannot make a forecast.

BRITISH STEEL-FIRST HALF-YEAR PROFIT SINCE 1974

The Chairman of British Steel Corporation, Sir Robert Haslam, reports that the Corporation made a profit of £21 million in the six months to September 28, 1985, after interest but before taxation and exceptional items, which were not significant at the half-year. This is an important milestone in the recovery of BSC — the first half-year profit since 1974.

British Steel Corporation
UNAUDITED CONSOLIDATED RESULTS

Half-year to 29/9/84 £m	Full year to 30/3/85 £m		Half-year to 28/9/85 £m
1579	3453	Turnover of UK operations	1725
(68)	(70)	Profit/(Loss) on ordinary activities before interest	46
(28)	(70)	Interest payable	(25)
(96)	(140)	Profit/(Loss) on ordinary activities after interest	21

Exceptional costs, which were not significant in the half-year ended September 28, 1985 (half-year to September 29, 1984: £147m, making a total loss of £243m) will be taken up in the accounts for the full financial year.

The comparative results for the half-year to September 29, 1984 and for the full year to March 30, 1985 include costs of the NUM strike, estimated at £95 million and £180 million respectively.

Other key points from Sir Robert's statement:

- Good plant performance was achieved in a reasonably stable market.
- There were signs of import pressure towards the end of the period, exacerbated by the strength of the pound against the deutschmark.
- An abnormal number of major plant developments will be another dominant factor in the next few months which will cause a short-term pause in British Steel's progress towards its next milestone of financial self-sufficiency.
- A greater degree of orderliness and stability in the European steel market is important to BSC's future success.
- Subject to these concerns, British Steel faces the future with a confidence based on the firm foundation of its achievements in recent years.

British Steel Corporation

Company Notices

Bond Trust of the World
(Mutual Fund organized under the laws of the Grand Duchy of Luxembourg)
NOTICE OF DIVIDEND ON TYPE "A" SHARES

Pursuant to article 17 of the management regulations of the fund, the board of directors of World Bond Trust Management Company decided to distribute, for the fiscal year ended on September 30, 1985 a dividend to be paid out of the net distribuable income (which comprises the net investment income of the fund and the net investment income prorated on the net issues and repurchases of fund shares during the accounting year of the fund) and of the net realized capital gains of the fund.

This dividend was fixed at US $ 1,40 per share and will be paid on and after December 9, 1985, to holders of type "A" shares of the fund issued and outstanding as of noon (Luxembourg time) on December 4, 1985, which constitutes ex-dividend time.

This dividend will be paid:

1. to holders of type "A" shares in registered form and to holders of confirmations of type "A" shares not physically created through the principal paying agent by transfer or cheque pursuant to the instructions given to him by holders of such certificates or confirmations, and
2. to holders of type "A" shares to bearer, against coupon No. 4

The following banks at the offices indicated will act as paying agents for the type "A" shares of Bond Trust of the World:

in the Grand Duchy of Luxembourg:
Société Générale Alsacienne de Banque,
15, avenue Emile Reuter, Luxembourg

in France: Société Générale,
29, boulevard Haussmann, F-75009 Paris

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE ALSACIENNE DE BANQUE
Luxembourg Branch

RAND MINES

RAND MINES GROUP
(MEMBER OF THE BARLOW RAND GROUP)
(All companies are incorporated in the Republic of South Africa)

DIVIDEND DECLARATIONS

The following dividends have been declared in South African currency, payable to members whose names appear in the register of members of each of the companies concerned at the close of business on 27 December, 1985 and to persons presenting the appropriate coupons detached from share warrants to bearer. The dividends on share warrants to bearer will be paid in terms of a further notice to be published by the London Office of the companies on 3 January, 1986.

Dividend warrants will be posted on or about 31 January, 1986.

The full standard conditions of payment of these dividends are obtainable from the Johannesburg or United Kingdom Offices of the companies.

Requests for an alteration in the office from which payment of the dividends is to be made must be accepted by the Johannesburg or London Offices of the companies on or before 27 December, 1985 in accordance with the abovementioned conditions.

The register of members of each company will be closed from 28 December, 1985 to 5 January, 1986, inclusive.

Name of Company	Dividend No.	Coupon No.	Amount per Share (S.A. cents)
Blyvooruitzicht Gold Mining Company, Limited	(Interim) 80	—	100
Durban Roodepoort Deep, Limited	(Final) 117	117	100

EAST RAND PROPRIETARY MINES, LIMITED
The board of directors has decided not to declare a dividend for the year ending 31 December, 1985.

By order of the Boards,
RAND MINES (MINING & SERVICES) LIMITED
Secretaries
per V. M. MURTON

Registered Offices
15th Floor—The Corner House
63 Fox Street
Johannesburg 2001
(P.O. Box 62370, Marshalltown, 2107)

Secretaries in the United Kingdom
Charter Consolidated P.L.C.
40 Holborn Viaduct
London EC1P 1AJ

United Kingdom Registrars, Transfer and Paying Agents:
Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

9 December, 1985.

COMISION FEDERAL DE ELECTRICIDAD (C.F.E.)
8% 1972/1987 US$20,000,000

On November 26, 1985, Bonds for the amount of US$1.650.000 have been drawn for redemption in the presence of a Notary Public.

The Bonds will be reimbursed coupon due February 1, 1987 attached on and after February 1, 1986.

The drawn Bonds are those, NOT YET PREVIOUSLY REDEEMED, included in the ranges beginning:

at 0001 up to 3019 incl. and at 19795 up to 20000 incl.

Amount unamortized: US$1.850.000.
Outstanding Drawn Bonds

4002 and 4003: 7956: 10191 to 10196 incl.; 13846 and 13847: 13967: 13972 to 13974 incl.: 13979 to 13988 incl.; 13997: 14091 to 14130 incl.; 14401 to 14405 incl.; 4501 to 14580 incl.; 14846 to 14870 incl.: 14899 and 14900: 15596 to 15695 incl.; 15781 to 15830 incl.; 15974 to 15992 incl.; 16308 to 16312 incl.

The Trustee
FINMTRUST S.A.
Luxembourg, December 10, 1985.

U.S. $100,000,000 Hydro Quebec 11½% Debentures Series FD due 1st Dec. 1982/92

Debentures covering US$2,175,000 have been purchased on the market to satisfy the Purchase Fund due 1st December 1985

CAISSE NATIONALE DES TELECOMMUNICATIONS
US$300,000,000 FLOATING RATE NOTES DUE 2000

NOTICE IS HERBY GIVEN that the next interest period chosen by Caisse Nationale des Telecommunications is one month, beginning December 12th, 1985.

The Fiscal Agent
BANQUE NATIONALE DE PARIS (LUXEMBOURG) S.A.

MISR FINANCE (CAYMAN) LIMITED
US$60,000,000 GUARANTEED FLOATING RATE SERIAL NOTES DUE 1989

The interest rate for the six month period commencing 6th December 1985 has been fixed at 8$^{13}/_{16}$% p.a.

Interest amounting to US$2,227.60 per US$50,000 Note will be due on the 6th June 1986 against presentation of Coupon No. 2 at which time the first Capital instalment will be due against presentation of the relative Note.

HAMBROS BANK LIMITED
Reference Agent

Public Notices

MONOPOLIES AND MERGERS COMMISSION
INVESTIGATION INTO THE BRITISH STEEL CORPORATION

On 29 November 1985 the Secretary of State for Trade and Industry referred to the Monopolies and Mergers Commission for investigation and report a question relating to the efficiency and costs of the British Steel Corporation in discharging its functions, with particular reference to its operating costs, working capital employed, capital investment projects and major current expenditure projects, use of manpower and performance in marketing its products and services.

A copy of the full terms of reference is obtainable from, and anyone wishing to submit evidence may write to:
The Secretary
Monopolies and Mergers Commission
New Court
48 Carey Street
London WC2A 2JT

Clubs

EVE has outlived the others because of a policy of fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floorshows. 189, Regent St. 01-734 0557.

Contracts and Tenders

SYRIAN ARAB REPUBLIC
ETABLISSEMENT PUBLIC DES EAUX DE FIGEH
DAMASCUS
Call for Bids Announcement No. 9026

Etablissement Public des Eaux de Figeh, at Nasser Street, invites submission of bids, under sealed cover, for the construction of a Water Softening Pilot Plant, for the purpose of softening the water of one of Mazraa Region water wells, for the supervision during execution and for the first operation, in accordance with:
— Contracting Regulations issued by Legislative Decree No 195/T of year 1974.
— General Conditions for Bidding No 434, dated 20.03.1977, issued by the Ministry of Housing and Public Utilities.

Following Provisions and Conditions:
— Bid Bond: fixed at (25,000) TWENTY FIVE THOUSAND Syrian Pounds, to be presented either by provisional bank guarantee issued by Commercial Bank of Syria, Bank No 4, Damascus, at the request of bidders bank, or by an accredited and certified cheque value.
— Performance Bond: fixed at (10%) TEN PER CENT of the Contract value.
— Execution period: it is fixed at six months as from the date of opening the letter of credit.
— Validity period of the bid: fixed at (90) NINETY days as from the date of opening the bids.
— Daily delay penalty: (0.1%) ONE PER THOUSAND of the total contract value.
— The exclusive Agent (if any) shall be registered with the Ministry of Economy and Foreign Trade, in the foreign companies register.
— Prices are to be quoted on both the following bases: FOB shipping port, with indication of the name of said port and C and F Lattakia port.
— Prospective bidders shall submit their bids to the EPEF secretary office, accompanied with the requested justification documents, the bid bond, together with a copy of tender documents, each page duly signed.
— Tender documents are obtainable from Contracts Department against settlement of (50) FIFTY Syrian Pounds, to be paid to the cashier against an official Receipt.
— Bids shall be accepted up to the end of official working hours (14 o'clock) on 29/1/1986.

All bids submitted after the aforementioned closing date, or submitted without the requested bid bond or without the justification documents, shall be neglected.

Translated by
Eng. Pierre FATTAL

President Director General of EPEF
Eng. Rida MOURTADA

Art Galleries

LEGER, 13, Old Bond St. ANNUAL WATERCOLOUR EXHIBITION. Mon. to Fri. 9.30-5.30. 01-629 3558.

RICHARD GREEN, 36, Dover Street, W1. 01-493 3939. CHRISTMAS EXHIBITION OF PAINTINGS UNDER £8,000. Daily 10-6: Sats. 10-12.30.

BROWSE & DARBY, 19, Cork Street, London, W1. 01-734 7984. LINDY GUINNESS, New Paintings.

AGNEW GALLERY, 43, Old Bond St., W1. 629 6176. GERMAN EXPRESSIONISM FROM LEICESTER MUSEUM. Until December 20. Mon.-Fri. 9.30-5.30; Thurs. until 6.30. Adm. £1.50.

Christmas Gifts

GIVE THE PRESENT that could be worth £250,000! Premium Bond Gift Tokens—for the chance of a fortune. At your Post Office now in a new range of attractive designs. So easy to send—so good to get.

UK COMPANY NEWS

Vinten's prospects point to resumption of growth

ALTHOUGH redundancy costs depressed pre-tax profits of the Vinten Group at the six months' stage the charges should be more than recovered during the second half through overhead savings And an increased dividend for the year is forecast.

Turnover for the first half, to September 30, 1985, pushed ahead from £12.3m to £14.2m and generated trading profits of £1.07m, compared with £622,000—the group is principally engaged in the design, manufacture and sale of aerial reconnaissance and other camera systems and associated ground equipment.

Redundancies accounted for £243,000 and interest charges for £160,000 to leave pre-tax profits £277,000 lower at £662,000. The comparable figures took in £304,000 from property disposals and £13,000 from interest received.

The net interim dividend is being held at 1.05p but the directors say they expect to recommend an increase in the final—last year's payments was 2.1p.

They say the first half results were in line with expectations and point out that the 15 per cent increase in sales would have been greater but for the slow start in the military and broadcasting systems division.

With the main problem areas now under control, excellent prospects in electro-optics likely to provide the basis for a much larger division, an improved outlook in the defence and broadcast markets and good growth expected in instrument markets, they are encouraged to believe that the group can achieve results in 1986-87 which will show a resumption of earnings growth able to be continued. Pre-tax profits for 1984-85 fell to £2.49m (£4.16m).

The group has now received a production contract in excess of £2m for the wide-band video recorder incorporated in the Tornado aircraft reconnaisance system

Furthermore, the directors expect finalisation early next month of a long-awaited military export contract for reconnaisance and electronic counter measures equipment worth more than £5m.

● comment

Vinten's pre-tax profits remain depressed after exceptional costs but the more important numbers were to be found at the trading line and there a 71 per cent recovery encouraged the view that the worst of two very difficult years is over and the shares rose 13p to 163p. Vinten's story can be summarised thus: while its two principal activities geared to the military and broadcasting were performing well in the early eighties the management could see the vulnerability of being dependent on Opec spending of hardware for example and spread itself into electro-optics and computing systems. These start-ups initially lost its money which was fine until its conventional businesses went sour and management inadequacie showed through. But the problems have been tackled and a second half upswing should take profits to over £3m and perhaps £3½m pre-tax. The group, with some attractive niche businesses, could be at the point where it is vulnerable to an opportunistic bid but even without predators the shares are not expensive on a 12 to 18 month view. Assuming £3½m the p/e is 16.3.

Chrysalis buys music exporter

Chrysalis Group, the records and leisure company which came to the market last July, is to acquire a controlling stake in Lasgo Exports, a private wholesale exporter of recorded music and videos.

For an initial consideration of £1.7m, Chrysalis will get 75 per cent of the company from Mr Peter Lassman and Mr Mark Ballabon, currently Lasgo directors. They will continue to manage the business. The sum will be satisfied through the allotment of 382,500 Chrysalis shares at a price of 200p each, with the balance in cash.

Any further consideration will be calculated via a formula based on Lasgo profits over the 1985 and 1986 years, and will be paid in cash and shares. The purchasers also have options to acquire the balance of the capital.

For the year to October 31 1985, Lasgo profits are estimated at more than £0.5m. At the same date a year earlier, net tangible assets were £145,438.

Problems in Malaysia and UK hold back West's

PROFITS, before tax, have improved at West's Group International, for the 26 weeks ended September 29 1985, but were affected by difficulties in Malaysia and in the gas service and mainlaying contracting sector in the UK.

Turnover for this civil, mechanical, structural and process engineering concern moved ahead from £22.39m to £24.24m and after virtually doubled interest charges of £126,000 (£69,000), the taxable surplus emerged at £284,000, compared with £185,000.

The directors say that while the results show an improvement over the "very low figures" of 1984 they were affected by difficulties in Malaysia, where the level of work in the construction industry has continued to decline. They add that on the UK gas service and mainlaying contracting side, pressure of competition reduced operating margins to levels which will "almost certainly turn out to be harmful to the industry."

The directors point out, however, that encouraging progress is being made at Cox and Wright, and at West's Engineering Design, while at United Kingdom Construction and Engineering there are real signs of an improvement in the workload.

Earnings per share are shown to be doubled at 3p although the interim dividend is unchanged at 2.5p—last year's final payment was 3p from pre-tax profits totalling £914,000 (£693,000).

Operating profits amounted to £410,000, against £254,000 and were split between contracting £69,000 (£64,000 loss), and manufacturing £341,000 (£318,000).

Tax charge took £43,000 (£62,000) and the attributable balance came through at £134,000 (£68,000 loss) after extraordinary debits of £107,000 compared with £191,000.

The extraordinary items include the costs associated with the investigation of a major acquisition which was discontinued, by the company, at an advanced stage of negotiation, and an additional provision against higher than anticipated costs associated with the withdrawal from Australia.

Acquisition costs hit Preedy

Alfred Preedy & Sons, wholesaler and retailer of confectionery, tobacco and newspapers, made an operating profit of £71,000 in the six months to September 28 1985, compared with a £69,000 loss previously. However, increased interest charges of £424,000 (£295,000), as forecast in the annual statement, resulting from acquisitions, turned this into a pre-tax loss of £323,000 (£188,000).

The company says 11 newsagents were acquired in the period and three news shops were opened. These did not contribute to profits but are expected to in the second half.

Retail trade was subdued, it says, and profits earned by its established branches were little changed, however, wholesale profits benefited from the contribution from the Cheltenham branch purchased last December.

Preedy is withdrawing from its printing and school contracting division after another loss. F. C. Thacker was sold on November 29 and the two other businesses in the division are to be either sold or closed by next March.

Termination costs have been shown as a £51,000 extraordinary item and the company expects further losses in the second half which it says will be treated similarly.

Mr C. R. Preedy has been appointed managing director and Mr S. M. Larnder succeeds as finance director, Mr G. J. Sumner retires next year.

The chairman once again stresses that the seasonality of the business makes it difficult to forecast the outcome for the year. Consequently the interim dividend is being held at 1p. The company made a profit of £1.02m before tax last year.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Berkeley Group, Chapman Industries, Chloride, Deelkraal Gold Mining, Doornfontein Gold Mining, Driefontein Consolidated, Fairbriar, Fleming Overseas Investment Trust, Imperial Continental Gas, International Leisure, Kloof Gold Mining, James Latham, Libanon Gold Mining, Meyer International, Mnemos, Norcros, Optometrics (U.S.A.), R.F.D., Stylione, Venterspost Gold Mining, Vlakfontein Gold Mining, Warehouse.

Finals: Baggeridge Brick, Thomas Borthwick, Burns-Anderson, City Site Estates, Greenhall Whitley, McCorquodale, McLeod Russel, Morceau, Nottingham Brick, Plaxtons (GB), Pyke Holdings, Vaux.

FUTURE DATES

Interims:	
Berisfords	Dec 20
Brown (John)	Dec 12
GT Asia (Sterling) Fund	Dec 17
Gibbs Mew	Dec 13
Haslemere Estates	Dec 12
Hogg Robinson	Dec 18
London Merchant Securities	Dec 19
Plysu	Dec 17
Russell (Alexander)	Dec 12
Siebe	Dec 16
Finals:	
Canvermoor	Dec 13
Celestion Industries	Dec 12
Craton Lodge and Knight	Dec 16
Kelsey Industries	Dec 20
RHP	Dec 12
Richards	Dec 12
United Leasing	Dec 17
Williamson Tea	Dec 12

Ireland
£100,000,000 Floating Rate Notes 1996

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the three months period 6th December, 1985 to 6th March, 1986 has been fixed at 11$^{13}/_{16}$ per cent per annum. Coupon No. 5 will therefore be payable at £1456.34 per coupon from 6th March, 1986.

Samuel Montagu & Co Limited
Agent Bank

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange. It does not constitute an invitation to any person to subscribe for or purchase any securities. The preference shares and warrants referred to herein have been admitted to the Official List by the Council of The Stock Exchange.

International Investment Trust Company of Jersey Limited
(Registered in Jersey No. 1212)

Rights Issue of 145,000 units at £12 per unit

1,740,000 13 per cent. cumulative redeemable preference shares of £1 each ("preference shares") and 145,000 warrants are being offered for subscription to shareholders on the register at the close of business on 6th December, 1985 in units of twelve preference shares (having the right to be issued with one further preference share) and one warrant for every 10 ordinary shares of £1 each then held.

Copies of the listing particulars published in connection with the rights issue and containing details of the preference shares and of the warrants are available in the Extel Statistical Services. Copies of the listing particulars may also be obtained during normal business hours today and tomorrow from the Company Announcements Office of The Stock Exchange and on any weekday (Saturdays and public holidays excepted) up to and including 3rd January, 1986, from:

International Investment Trust Company of Jersey Limited,
Royal Trust House, Colomberie,
St. Helier, Jersey,
Channel Islands.

N M Rothschild & Sons Limited,
New Court,
St. Swithin's Lane,
London EC4P 4DU.

James Capel & Co.,
Winchester House,
100 Old Broad Street,
London EC2N 1BQ.

10th December, 1985

ljubljanska banka

US$25,000,000 Floating Rate Notes due June 1987

In accordance with the conditions of the Notes notice is hereby given that for the six-month period 9th December 1985 to 9th June 1986 (182 days), the Notes will carry an interest rate of 9¼% p.a.

Relevant interest payments will be as follows:
Notes of $5,000 U.S.$230.66

CREDIT LYONNAIS
Luxembourg
Fiscal Bank

CREDIT LYONNAIS
London
Agent Bank

WHITECROFT
INTERIM REPORT

	1985 £	1984 £
Pre-tax profit	2.74m	3.76m
Earnings per share	7.1p	9.6p
Dividends	2.5p	2.3p

Profit was lower mainly due to the timing of major completions in the property development division which this year will fall in the second half, whereas last year they occurred in the first six months. In addition, turnover and profit from building supplies were reduced, due to the continuing depressed level of activity in the construction industry.

Textile division sales were ahead of the previous year, and profit increased by 8%.

The property development division added a number of projects to its programme, including three new office developments located close to London's M25 motorway. The division is expected to show an increased profit for the full year.

The lighting companies continue to invest in the development of new products. Moorlite Electrical, the largest operation in the division, increased both sales and profit compared with the same period last year.

We have acquired the business of ECS Energy Conservation Systems Ltd. for a total investment of £1.22 million. ECS is the UK market leader in computer and electronically based energy management systems for lighting control.

The continuation of our progressive increase in dividend payments reflects our confidence in the second half results and in the longer term growth and development of the group.

T. Weatherby
Chairman

A copy of the interim report may be obtained from:
The Secretary,
Whitecroft plc,
Water Lane, Wilmslow,
Cheshire SK9 5BX
Telephone: 0625 524677

Textiles, building supplies, lighting, property development

UK COMPANY NEWS

Whitecroft setback but looks to second half

A £1m decrease in pre-tax profits for the half year ended September 30 1985 is reported by Whitecroft. The main reason is the timing of major completions in property development, and on the building supplies side the *continued depressed* activity in the construction industry.

However, the interim dividend is raised from 2.3p to 2.5p per share. Continuation of this progressive increase in payments reflects confidence in the second half results, says the chairman Mr Tom *Weatherby, and in the* longer term growth and development.

Pre-tax profit for the half year came to £2.74m, or 27 per cent below the comparable £3.76m. The timing of the major completions will come in the second half; profits for the whole of 1984-85 was £7.46m and a final dividend of 5.4p was paid.

Turnover came to £48.67m (£51.28m) and the profit before interest to £2.85m (£4.18m). Textiles accounted for £12.16m (£11.23m) and £1.16m (£1.08m), building supplies £23.33m (£24.86m) and *£801,000 (£1.42m)*, lighting £11.7m (£11.6m) and £974,000 (£1.06m), property development 1.48m (£3.59m) and £311,000 (£1m), and parent copm anlssoy company loss £403,000 (£383,000).

Interest charges fell from £421,000 to £106,000 folowing the continuing policy of carrying forward interest costs on property development projects until construction is complete.

Mr Weatherby says in textiles, coated fabrics continued their growth, and lifted their contribution to the results. Profit from medical fibre improved and this trend is expected to continue in the second half.

Building supplies' figures compare with a particularly buoyant period last year, the chairman points out. The level of demand was comparable with the second half of 1984-85, and an improvement in this sector would immediately reflect in profit.

In spite of new product development costs in the lighting *division*, the largest *operation* Moorlite Electrical increased both sales and profits.

Tax takes £1.09m (£1.79m)—leaving earnings of 7.1p (9.6p) per share.

Net tangible asets are shown to be 153p per share at September 30, against 149p at March 31 and 143p six months' earlier.

● comment

Bearing in mind how well Whitecroft's shares have performed in the last two to three months the price showed surprising resilience yesterday when confronted with a fall in interim operating profits of a third. The reasons for the sharp fall in building supplies and the less dramatic declines elsewhere are understandable enough but even so the group will be hard pushed to turn in anything more than an unchanged £7½m pre-tax for the year. The year after the trading *account should* start humming again with both the specialist textile operations and lighting benefiting from current R and D spending and a clutch of acquisitions making maiden contributions. ECS has just been purchased and a small building supplies business and somewhat *larger textile company will* be added before long. Beyond that the new chairman is well aware that he needs to capture something of size—perhaps overseas—if Whitecroft is to shed its dull mini-conglomerate image. At 185p the prospective p/e is not far off the historic 9.5 which is inexpensive if Mr Weatherby is about to inject some pace and, probably rightly, excludes any premium for an opportunistic bid—although in this market anything can be a target.

Reliant runs up £0.65m loss

THE COSTS of developing the Scimitar SS1 sports car were much higher than Reliant Motor anticipated and for the 1984-85 year the group plunged £649,000 into the red at the pre-tax level.

Group policy is to charge all development and marketing expenditure against profits and after running up a first half loss of £598,000 a further £51,000 was lost in the second six months to September 30. Profits of £66,000 were earned over the previous year.

The car olso took longer to penfect than was envisaged a year ago. Engineering and production tooling costs exceeded budget and the directors warn that marketing costs will be higher than originally estimated.

They say that it now seems inevitable that everything is going to be some 12 months behind the original schedule and add: "It is now going to be 1987 instead of 1986 before any significant sales will be achieved in America."

However, the new sports car is on the road and has met with "great success."

For the past year group turnover improved from £13.61m to £14.22m but at the operating level there was a loss of £304,000, compared with a previous profit of £217,000.

Hunslet cuts capacity after return of losses

Hunslet (Holdings), the Leeds-based engineer returned to losses in the year to August 4 1985. The miners' strike and the development costs of a railbus for British Rail are given as the main reasons.

Pre-tax losses amounted to £742,000, against profits last time of £69,000 on turnover down slightly from £12.55m to £12.2m. With a nextraordinary charge of £400,000 (nil), being the costs of rationalising manufacturing capacity, the losses per share came out at 39.3p, compared with earnings last time of 10.5p. The directors have decided to recommend a reduction in the final and only dividend from 8.5p net to 2p.

The directors say that during the strike the company had to accept orders at short notice for such work as it could obtain in order to keep manufacturing capacity occupied. *However that* was in a buyers' market and was taken on relatively onerous terms.

They warn that with continuing cuts in the coal industry they do not expect demand to return to previous levels.

In last year's annual report it was hoped that the order for 25 railbuses at the Andrew Barclay *offshoot might lead to* further orders and be the basis for sales overseas. It is now reported that although some units have been delivered and well received by British Rail the development and production costs were much higher than estimated resulting in a substantial loss.

The company has, as a result, not been able to obtain a follow-on order. The directors say that, reluctantly, they have decided to rationalise manufacturing capacity even though substantial costs are involved.

Both the loss and rationalisation costs were provided for in the figures for the period under review.

The operating loss came out at £1.21m (£388,000) part of which was offset by interest received and similar income of £465,000 (£457,000). There were tax credits of £270,000, against £57,000 last time.

After a number of years of profits in the region of £2m to £2.5m Hunslet fell into loss in 1982-83 but recovered to profits of £69,000in 1983-84.

For the future the directors say that following the rationalisation it should be possible to have a worthwhile continuing business. On the basis of the reduced capacity the company has a satisfactory workload in the present year, they add.

Caffyns hit by sharp rise in interest

From a turnover ahead by £9.36m at £54.67m Caffyns, automobile agent and engineer, raised its trading profits from £714,000 to £1.09m for the six months to September 30 1985. The interim dividend is held at 2.2p net.

The 53 per cent profits improvement reflects management development over the past two years.

Pre-tax profits for the period, however, declined from £554,000 to £255,000 after deducting interest of £811,000 (£548,000) and branch rationalisation costs of £28,000, compared with a previous credit of £383,000.

Branch rationalisation costs relate to three sites which the group has agreed to sell. When the sales have been completed there will be a surplus in excess of £1m and borrowings will reduce substantially.

F & C Alliance shows increase

F & C Alliance Investment raised net asset value as at end October, 1985 to 110p (107.3p) per 25p share after prior charges at nominal value and to 110.8p (108.1p) after charges at market value.

Net revenue for the half year rose from £410,000 to £497,000 and earnings per share were ahead to 1.09p (0.89p). The net interim dividend is stepped up from 0.55p to 0.58p.

The revenue increase mainly reflected good dividend rises in the company's UK and US portfolios, but the board warns that the rate of growth in the second half will be slower.

The technology and electronics sectors, in which the company has a high exposure, significantly under-performed.

MITSUI FINANCE ASIA LIMITED
(Incorporated in the Cayman Islands)

US$100,000,000
12¼% Guaranteed Notes Due 1992

NOTICE IS HEREBY GIVEN that pursuant to Condition 7(B) of the 12¼% Notes, US$5,500,000 principal amount of the Notes has been drawn, for redemption on 9th January, 1986, at the redemption price of 101% of the principal amount, together with accrued interest to but excluding 9th January, 1986.

The serial numbers of the 12¼% Notes drawn for redemption are as follows:-

21	24	45	56	72	89	132	146	161	162
176	177	189	232	236	238	261	263	309	317
346	390	393	447	448	473	620	527	572	600
603	620	628	630	646	655	712	774	804	805
812	826	842	851	864	882	883	909	947	950
969	972	988	999	1049	1069	1125	1143	1217	1255
1263	1300	1351	1362	1380	1417	1424	1433	1488	1507
1508	1511	1546	1562	1635	1728	1742	1744	1766	1793
1797	1864	1925	1975	2009	2038	2040	2042	2067	2070
2117	2119	2122	2132	2154	2162	2163	2166	2195	2201
2205	2255	2263	2265	2275	2279	2284	2287	2300	2343
2361	2368	2378	2379	2382	2390	2394	2440	2452	2461
2469	2472	2476	2571	2608	2609	2661	2689	2691	2694
2718	2724	2734	2741	2746	2751	2787	2844	2871	2879
2925	2932	2943	2945	2955	2966	2998	2999	3005	3015
3056	3090	3093	3100	3104	3122	3137	3188	3223	3234
3245	3265	3269	3305	3336	3346	3353	3356	3395	3405
3415	3438	3455	3466	3470	3480	3494	3502	3564	3597
3605	3608	3619	3675	3687	3697	3716	3729	3741	3763
3770	3780	3788	3815	3860	3870	3876	3900	3950	3952
3960	3973	3983	3996	4022	4045	4053	4077	4086	4089
4103	4108	4112	4128	4134	4144	4158	4180	4192	4193
4195	4204	4219	4233	4299	4302	4317	4340	4378	4384
4405	4418	4448	4463	4470	4526	4529	4547	4589	4632
4655	4658	4685	4729	4735	4742	4760	4776	4803	4864
4912	4935	4939	4950	4980	5040	5046	5133	5134	5142
5173	5177	5183	5194	5208	5212	5230	5249	5250	5267
5269	5275	5287	5304	5382	5388	5422	5430	5432	5438
5444	5473	5480	5485	5486	5502	5512	5570	5574	5585
5603	5626	5669	5670	5671	5677	5695	5696	5697	5738
5748	5755	5787	5825	5833	5861	5915	5936	5938	5967
5974	6010	6016	6021	6030	6073	6074	6084	6113	6122
6146	6163	6169	6236	6237	6246	6254	6278	6285	6294
6307	6311	6322	6374	6429	6430	6431	6448	6453	6455
6458	6482	6496	6528	6544	6545	6548	6573	6595	6685
6704	6736	6770	6777	6789	6790	6802	6803	6821	6833
6862	6865	6867	6877	6879	6884	6885	6906	6924	6930
6939	6948	6967	6981	7008	7023	7024	7049	7050	7051
7069	7091	7123	7138	7173	7213	7223	7228	7249	7334
7336	7338	7387	7426	7436	7461	7465	7501	7512	7533
7542	7593	7621	7667	7677	7697	7703	7721	7747	7750
7760	7768	7782	7793	7802	7810	7814	7826	7879	7894
7902	7937	7947	7957	7961	7963	8010	8016	8078	8099
8107	8152	8226	8234	8251	8270	8280	8282	8295	8325
8328	8330	8332	8335	8351	8356	8357	8363	8386	8390
8391	8434	8437	8456	8458	8463	8469	8477	8478	8499
8503	8505	8534	8540	8577	8581	8586	8589	8604	8627
8630	8631	8645	8654	8661	8677	8700	8711	8723	8733
8739	8740	8757	8760	8787	8805	8829	8842	8849	8855
8856	8859	8880	8883	8887	8898	8946	8958	8997	8999
9016	9036	9040	9041	9043	9054	9061	9066	9101	9117
9171	9174	9178	9181	9186	9191	9199	9207	9234	9236
9321	9325	9353	9357	9362	9371	9375	9394	9499	9512
9521	9550	9551	9560	9602	9617	9635	9638	9645	9646
9649	9650	9671	9674	9680	9697	9703	9706	9714	9730
9746	9764	9765	9820	9840	9854	9886	9911	9937	9945

9960	9961	10022	10066	10073	10076	10087	10094	10104	10165
10177	10185	10190	10192	10201	10238	10244	10254	10257	10298
10300	10325	10336	10345	10410	10420	10452	10483	10502	10529
10532	10561	10568	10576	10610	10626	10646	10647	10648	10656
10666	10706	10769	10805	10806	10838	10862	10867	10889	10891
10924	10929	10938	11016	11054	11078	11081	11101	11102	11158
11168	11186	11190	11196	11197	11198	11204	11227	11235	11280
11337	11345	11346	11368	11416	11424	11428	11456	11469	11487
11571	11576	11597	11632	11649	11655	11668	11671	11674	11688
11698	11700	11738	11753	11793	11799	11819	11822	11844	11858
11861	11864	11869	11882	11889	11896	11914	11932	11961	11977
12021	12050	12092	12136	12138	12171	12224	12248	12262	12266
12286	12322	12340	12350	12353	12364	12365	12426	12436	12440
12466	12487	12491	12510	12522	12585	12591	12606	12635	12636
12659	12700	12734	12742	12790	12838	12840	12876	12891	12915
12972	12975	12978	13037	13050	13062	13064	13087	13090	13104
13106	13113	13130	13144	13178	13181	13198	13204	13230	13272
13283	13320	13366	13367	13388	13399	13412	13419	13434	13473
13476	13490	13491	13501	13519	13532	13537	13565	13601	13629
13702	13715	13729	13760	13763	13810	13812	13827	13829	13834
13851	13855	13856	13891	13929	13933	13951	13996	14056	14092
14101	14136	14146	14201	14213	14233	14286	14290	14293	14305
14308	14347	14359	14361	14395	14409	14414	14430	14485	14491
14493	14500	14509	14535	14537	14557	14563	14580	14605	14624
14638	14641	14642	14644	14657	14681	14706	14712	14723	14738
14739	14748	14760	14773	14797	14818	14847	14867	14901	14931
14945	14996	15027	15072	15097	15109	15117	15141	15146	15157
15158	15161	15186	15196	15200	15211	15235	15279	15296	15308
15318	15329	15356	15366	15376	15393	15394	15421	15458	15481
15491	15503	15507	15554	15595	15611	15683	15698	15733	15766
15786	15813	15853	15876	15887	15907	15919	15936	15951	16024
16034	16072	16095	16103	16130	16139	16171	16177	16193	16221
16233	16287	16345	16347	16363	16381	16390	16391	16405	16411
16424	16430	16453	16458	16502	16531	16547	16577	16581	16602
16604	16610	16619	16635	16637	16641	16652	16654	16663	16685
16718	16720	16728	16755	16798	16799	16800	16813	16827	16860
16908	16911	16914	16969	16971	16994	16995	17024	17051	17059
17061	17092	17108	17112	17131	17144	17154	17178	17196	17199
17200	17246	17254	17302	17311	17332	17348	17356	17409	17468
17469	17509	17534	17537	17574	17606	17612	17625	17641	17660
17671	17695	17763	17772	17778	17791	17793	17795	17810	17826
17839	17848	17878	17882	17891	17922	17942	17944	17947	17953
17957	17962	17972	17980	17982	17997	18071	18085	18094	18104
18110	18154	18169	18257	18281	18320	18329	18353	18404	18405
18444	18454	18458	18464	18493	18517	18519	18541	18544	18611
18620	18623	18633	18643	18646	18668	18676	18701	18733	18738
18742	18749	18766	18819	18824	18834	18849	18863	18942	18951
18959	18998	19049	19054	19057	19076	19095	19109	19128	19159
19196	19199	19208	19216	19222	19233	19248	19258	19270	19273
19274	19316	19351	19375	19387	19408	19440	19444	19457	19472
19473	19485	19505	19507	19524	19527	19536	19549	19560	19566
19583	19600	19609	19640	19648	19659	19667	19688	19690	19706
19713	19730	19731	19761	19771	19772	19795	19800	19815	19817
19830	19872	19891	19898	19909	19915	19946	19980	19986	20000

On 9th January, 1986, the said redemption price will become due and payable upon each Note to be redeemed, together with accrued interest from 20th February, 1985, to *but excluding 9th January, 1986*, amounting to US$542.74 per US$5,000 Note. On and after that date, interest on the said drawn Notes will cease to accrue.

Payment of the Notes to be redeemed will be made on or after 9th January, 1986, upon presentation and surrender of the said Notes, with all coupons appertaining thereto, at the office of the Paying Agents mentioned thereon. After 9th January, 1986, US$67,050,000 principal amount of Notes will remain outstanding.

Mitsui Finance Trust International Limited
Fiscal Agent

UK COMPANY NEWS

Tiphook expansion as profits grow 53%

IN ITS first results since coming to the Stock Exchange in July, Tiphook, the largest container *rental company in the UK has* raised pre tax profits by 53 per cent in the six months to October 31 1985 from £667,000 to £1.02m. This is on turnover up 89 per cent from £5.35m to £10.1m.

The board says the company's strong growth has continued. Comparative figures for the half year do not take into account the results of Adamson Containers which was acquired from the receivers in November 1984.

An interim dividend of 1.25p is being paid on earnings per share up to 6p from 4.5p.

The company believes that *both the container and trailer* rental markets are set for long term growth. Consequently, it has increased its container fleet by 28 per cent in the six months from 20,000 to 25,700 20 foot equivalent units and the trailer fleet has increased by 14 per cent from 1,600 to 1,820 units. The client base of both areas has been expanded and high utilisation rates have been maintained.

*Tiphook's board says all divi*sions are performing well and the company is on target for another successful year. Grampian Containers, acquired in October, a rental company which operates in the offshore gas and oil sector, is expected to complement the manufacturing activities of Adamson Containers which include mini containers for the sector.

Mr Kenneth Dick of N. M. Rothschild & Sons has been appointed an adviser to the company and is to become a non-executive director next year.

It was also announced yesterday that *Barclays Merchant Bank* has placed its holding of 1.86m ordinary shares in Tiphook (13.31 per cent) with institutional investors.

● comment

Tiphook has started again on a fresh sheet of paper, leaving the assets per share debacle firmly behind it. Two good pieces of news emerged yesterday: it produced a most encouraging first set of results, and Barclays has disposed of its share stake, reassuring those worried about the effect of it overhanging the market. All sides of Tiphook's business are going well: it is securing an increasing share of the expanding container rental market by concentrating on service. The trailer rental division has benefited from the movement away from buying to hiring trailers caused by the removal of capital allowances, while on the container manufacturing side, Adamsons, acquired last year, has already been turned around. With 40 per cent of profits typically falling into the first half, the total for the year should be about £2.5m, implying a modest p/e of 9.7 with the shares at yesterday's price of 130p (15 per cent tax).

LYSANDER Petroleum turnover amounted to £15,648 and losses incurred were £86,208 pre-tax. Loss per share is given as 0.5p for this USM oil and gas company.

W'hampton Breweries margins rise

REFLECTING an improvement in net margins from 1.4 per cent to 14.9 per cent, the pre-tax profit of Wolverhampton and Dudley Breweries has advanced from £13.52m to £15.43m in the year ended September 30 1985. The dividend is lifted from 7.6p to 8.55p net with a final of 5.7p.

Mr E. J. Thompson, chairman, says that site acquisition, deve*lopment of the existing pubs and* a strengthening of brands point to better margins and higher volumes. The group can see expansion within its existing overhead framework.

Turnover in the year rose 10 per cent to £103.52m while the operating profit moved ahead 19.9 per cent to £16.91m. However, much higher interest charges of £1.48m (£580,000) restricted the pre-tax profit growth to 14.1 per cent.

The chairman says the national lager market was characterised by a poor summer which slowed sales growth. By contrast the new arrangements with Harp Lager are working well. Bank's Mild Ale achieved overall volume growth. The new bitter, *Hanson's Black Country*, was launched in October.

The group's pubs continue to increase their share of the retail trade, and wine sales showed dramatic growth. In the year 17 pubs were opened; since then a further three have come into operation and it is planned to complete another 10 before the end of next September.

On the *hotels* side eight long term sites are being developed as three-star operations, and will trade under the Crown and Raven Hotels banner.

After tax £6.66m (£5.78m) the year's net profit came to *£8.77m* (£7.74m) for earnings of 27.2p (23.9p) per share. Extraordinary credits total £851,000 (£1m).

● comment

The fact that Wolverhampton & Dudley has bucked the national trend in putting on ale volumes against a declining national market suggests that either the beer or *its brewer is something* out of the ordinary. Probably both: the beer speaks for itself, while the company has achieved profits well up on forecasts through a combination of vigorous expansion and a marked improvement in margins. Th; scope for further growth looks far from exhausted. The company has spread itself far and wide along the motorways radiating from the West Midlands and there is room for in-filling for many years to come, and the newer customers are prepared to pay considerably more for their pint *than the 61p* which typically changes hands in a Black Country public bar. For the current year a repeat of last year's 14 per cent profits growth to £17.6m is in prospect on a reducing tax charge of 35 per cent. This has the shares, up 1p at 378p, looking cheap on a prospective p/e ratio of 11.

Windsor Securities runs into second half loss

Windsor Securities (Holdings), the international Lloyd's insurance broking company, suffered a sharp downturn in pre-tax profits from £296,017 to £47,670 in the year ended September 30 1985, following losses of some £60,000 in the second half.

Mr John Carr, who took over as chairman in July, says the setback was largely due to a reduction in group income from £819.663 to £709,202; a payment of £40.221 to the previous chairman, Maurice Fullerton, of an additional year's salary for the period July 1 1985 to June 30 1986: and a provision of £50,000 relating to a pre-1980 event.

After tax of £47,265 (£127,128) *and extraordinary expenditure of* £29,611 this time — being EGM costs—there was an attributable los of £29,206, as against a £168,835 profit. Stated earnings per 10p share, before extra*ordinary items, declined from* 1.174p to 0.445p.

The final dividend is cut to 0.1p (0.75p) making a net total for the year of 0.65p (1.25p), costing £48,828 (£90,610). Mr Carr says the board intends to review its dividend policy as soon as *results of the redevelop*ment programme begin to materialise. The nominal final, he sals, reflects the board's confidence in an early review.

Mr Carr, formerly chairman of Lander Investments, *Windsor's* largest shareholder, says his starting with the proposed —— objective is to implement a programme of dynamic growth, starting with the proposed acquisition of Lander and continuing with further acquisitions and joint ventures. Lander has brokerage of less than £200,000.

A programme of change and *development is under way* and Mr Carr tells shareholders that "the events *since* July 1 have turned your company from being inward looking to one whose board look to the future with *confidence.*"

He says the balance sheet remains strong with net tangible assets of £925,640 and cash at bank of £3.82m.

W. Alexander ahead 11% and further growth seen

Walter Alexander, the Falkirk-based coachbuilder, raised pre-tax profits by 11 per cent from £1.5m to £1.67m in the six months to September 30 1985. Turnover was *29* per cent *higher* at £30.04m, against £23.37m.

Profits included reduced gains of £600,000 (£722,000) on the sales of listed and unlisted investments. Before crediting these, profits showed a 38 per cent improvement.

Mr Ronald Alexander, the chairman, forecasts further growth in sales and profits for the second half. With the coach-building division's order book busy supplying Hong Kong, Singapore and British Rail, he views the group's future with considerable optimism.

Stated earnings per share rose from 7p to *7.8p* and the net interim dividend is increased from 2.25p to 2.5p—last year a total of 6p was paid on £3.37m pre-tax profits.

The company's shares are traded on the *market made by* Granville & Co. A decision to apply for a full listing has been delayed, while the group completes a rationalisation and development programme.

The *group's* coachbuilding division, which made a loss last year, is firmly back in profit, the chairman states. Its export business *of double deck bus bodies* for the six months amounted to £3.5m.

Mr Alexander says Domnick Hunter Filters had an outstanding six months helped by excellent market penetration of its *new process* filters and an absorption compressed air dryer range. The recent strength of sterling against foreign currencies restricted Hunter's profits because of its high percentage of export *business*; the filtration division would otherwise have had a record period, he adds.

An acquisition towards the end of last year in north east England is expected to add more than *£8m to the fuel distribution* division turnover for the full year. The opor summer weather gave an increase in fuel oil sales.

Group attributable profits came out at £1m, against £710,000, after *tax of £604,000 (£511,000)*, minorities of £65,000 (£90,000) and an extraordinary charge last time of £190,000. The interim dividend absorbs £325,000 (£287,000).

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FT COMMERCIAL LAW REPORTS

Transfer of shares to non-member of company is invalid

TETT v PHOENIX PROPERTY & INVESTMENT CO LTD AND OTHERS

Court of Appeal (Lord Justice Slade, Lord Justice Robert Goff and Sir John Megaw) November 28 1985.

ARTICLES OF association *which prohibit* the transfer of shares outside the company if any member is "willing" to buy them imply a condition that shares should *not* be transferred to an outsider without reasonable steps first having been taken to give members an opportunity to make an offer; and a transfer to an outsider made without the members' knowledge is invalid, in that it gives them no such opportunity.

The Court of Appeal so held when allowing an appeal by Phoenix Property and Investment Co. Ltd. and three of its directors, *from* Mr Justice Vinelott's decision that the shares of a deceased shareholder had been validly transferred by her executors to Mr Colin Tett, a non-member of the company.

* * *

LORD JUSTICE SLADE said that the company's articles of association provided by article 5(E) that except in the case of certain expressly authorised transfers, "no share shall be transferred by a member . . . to any person not already a member of the company if any member . . . or the wife husband parent or child (not being a minor) of any member shall be willing to purchase the same."

Article 5(F) provided that unless the parties were able to agree a sale price, the shares "may be purchased at a fair value as determined by the auditors."

On June 6 1979, the holder of 90 ordinary shares in the company died. Her executors were entitled to be registered as holder of the shares, but they were never registered.

On January 29 1982 Mr Tett wrote to them offering £20 per share for the 90 shares and enclosing two cheques to cover consideration and stamp duty. The cheques were presented for payment and cleared by his bankers. A share transfer dated February 26 was executed in his favour and was duly stamped.

On March 12 one of the executors wrote to the company secretary asking him to register the transfer and to let them have a certificate for Mr Tett.

The secretary returned the transfer on the ground that "the procedures for the disposal of shares, set out in clause 5(E) of the articles" had not been followed.

On April 26 the board of directors decided to notify shareholders that 90 shares were being offered for sale and that bids should be addressed to the secretary.

On May 4 the secretary wrote to that effect to all shareholders He sent a copy of the letter to the executors. The letter mentioned that shares had changed hands the previous year at £5 per share, but not that a sale had recently been agreed with a non-member at £20 per share.

Three members wrote separately, saying they were interested in acquiring the shares at £8 per share.

On May 18 Mr Tett issued a writ against the company and the directors seeking a declaration that the transfer had lawfully passed the property in the shares to him.

Mr Justice Vinelott held that the transfer was valid and the directors should register Mr Tett as holder of the 90 shares.

On the present appeal the question *inter alia* was whether articles 5(E) and (F) imposed a valid and enforceable condition which had to be satisfied if executors were to have the right to transfer shares to a non-member, and if so, what was that condition?

A shareholder, *prima facie*, had a transferable right of property in his shares which could be taken away from him only by express prohibition in the articles of association. (See *Swaledale Cleaners [1968] 1 WLR 1710, 1715)*.

Article 5 undeniably contained an express prohibition of that nature, and the court was bound to make the best sense of it that it could.

Read literally and in isolation, article 5(E) took away the right of a member to transfer his shares to a non-member only "if any member . . . or the wife husband parent or child . . . of any member shall be willing to purchase . . ."

In the present case there was no evidence that that contingency had arisen when the executors made the transfer in favour of Mr Tett. Read literally and in isolation, article 5(E) would leave a member free to transfer his shares to an outsider provided he did it in secret, taking care that none of the members and relatives were given an opportunity to demonstrate their willingness to purchase.

To read article 5(E) in that manner would make practical nonsense of it, particularly when read in conjunction with article 5(F). The parties to the contract embodied in the articles clearly contemplated that before a member was to be at liberty to transfer his shares to an outsider, some opportunity would first have to be given to the other members and their specified relatives to make an offer for the shares.

The difficulty lay in formulating by implication the machinery by which other members and their relatives were to be given that opportunity.

Mr Justice Vinelott's solution was that there was implicit in (E) and (F) an obligation to offer the shares to other members at a fair value, but that "shall be so offered" was used in the sense of "shall be deemed to be so offered."

The implication was not justified. It was impossible to attribute such an intention.

An alternative provision which could be implied as a matter of necesary inference, so as to give business efficacy to the obvious intentions of the parties, was that before transferring shares to an outsider, the transferor should give other members and their specified relations a reasonable opportunity to make an offer.

That implied term would be written into the very end of article 5. If some officious bystander had asked if a member were free to transfer his shares to an outsider without first taking reasonable steps to give members and relatives an opportunity to purchase, no doubt the answer would have been "of course not; we did not trouble to say that; it is too clear."

Article 5(E) and (F) therefore, on their true construction, did impose a valid and enforceable condition which had to be satisfied if the executors were to have the right to transfer the 90 shares to an outsider.

That condition was that the executors should first have taken reasonable steps to give all other members and their specified relatives a reasonable opportunity to make an offer to purchase at a fair value to be determined by the auditors in default of agreement, and that no such offer had been made.

The executors did not take reasonable steps to give the other members of the company a reasonable opportunity to make such an offer.

Mr Tett was not entitled to the relief claimed, essentially because the restrictive provisions of article 5 had not been complied with.

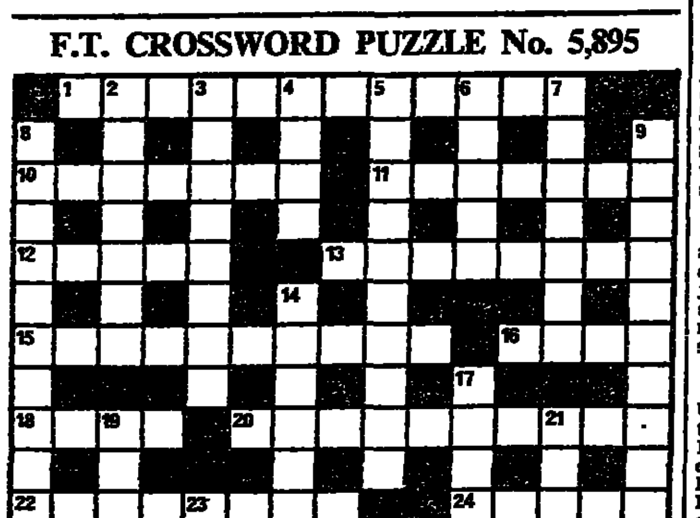
Lord Justice Robert Goff and Sir John Megaw gave concurring judgments.

For the company: Peter Curry QC and John Brisby (Hewitt Woollacott and Chown).

For Mr Tett: Richard Mawrey (L. O. Glenister and Sons, Eastcote).

By Rachel Davies
Barrister

F.T. CROSSWORD PUZZLE No. 5,895



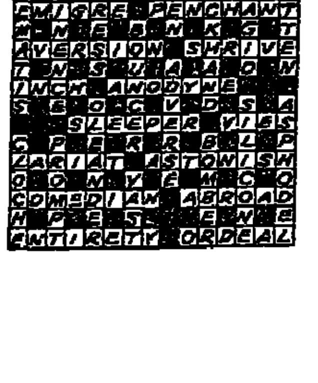
ACROSS

1 Bred in sin, set about showing one's pedigree? (4, 8)
10 Shy essayist gets a plant (7)
11 Hide from a glutton's relations (7)
12 Freezing some confectionery (5)
13 Excuses provided as oven is out of order (8)
15 Weather set problem for a loved one (10)
16 A return of service which is some way off (4)
18 Did his influence make Rose change her name? (4)
20 In a way property is wealth (10)
22 Talk to W.I. about a powerful measure (8)
24 Mummy came from this country (5)
26 Better prepared to die in the end (7)
27 A tract of meadow felt to be different (7)
28 Run into someone accidentally (4, 2, 8)

DOWN

2 Outflowing currency (3-4)
3 Takes pleasure in being slighted, strangely enough (8)
4 A country artist with an outstanding level of intelligence (4)
5 Improve his disposition with an opposite result (10)
6 Common clothes wrapped round a Roman? (5)
7 A roué not waiting for his cut? (4-3)
8 They have good diction but *may cause* offence (5, 8)
9 Miserable and penitent (2, 1, 5, 5)
14 A pop-star, perhaps, pulsating with vitality (5, 5)
17 Some music from the Near East (8)
19 Tree that seems to call for graft (3, 4)
21 It's simply picturesque (7)
23 Leading chess player (5)
25 Multinational combine? (4)

Solution to Puzzle No. 5,894



APPOINTMENTS

Board changes at Coats Patons

Mr James McAdam has been appointed chief executive of COATS PATONS in succession to Sir William Coats who continues as non-executive chairman. Sir William intends to retire from the board at the end of the next annual meeting. **Mr Michael Bell** becomes deputy chief executive and **Mr John Houston** has been made finance director. **Mr Nicholas Kuenssberg** also joins the board as an executive director. **Mr William Thomson** and **Sir James Cleminson** will be joining the board in a non-executive capacity. Mr Thomson is a group managing director of the Royal Dutch Shell Group and Sir James is chairman of Reckitt & Colman and president of the Confederation of British Industry.

★

Mr Paul Girolami has become chairman of GLAXO HOLDINGS following the retirement of Sir Austin Bide at the conclusion of yesterday's annual meeting. Mr Girolami continues additionally as chief executive until February 1, when he will be succeeded in that capacity by the deputy chief executive, **Mr Bernard Taylor.**

★

Mr Robert Felix Erith, chairman of stockbrokers Savory Milln, has been appointed a director of ARBUTHNOT SAVORY MILLN HOLDINGS, which owns 29.9 per cent of Savory Milln. The stockbrokers will become a wholly-owned subsidiary in March.

★

Mr Peter Fisken has been appointed an executive director of IMI from January 1. He joined IMI in 1956 as a work study officer, and he is at present managing director of IMI Yorkshire Copper Tube.

★

From January 1, **Mr Magnus Unger** becomes managing director of ATLAS COPCO (GREAT BRITAIN). At present managing director of *Atlas Copco Belgium*, he succeeds **Mr C. Melville Errington** who has been appointed president Atlas Copco Airpower, Antwerp.

★

Five directors have been appointed to the board of MIM, formerly Montagu Investment Management. They are **Mr Stephen Barber, Mr Malcolm Callaghan, Mr Bryan Keene, Mr Nigel Lester** and **Mr James Scrimgour-Wedderburn.**

★

SCOTTISH AMICABLE has appointed **Mr R. T. Elliot** as a deputy investment manager.

★

Mr Tom Critchley has been appointed *director of NHS procurement* and distribution from January 2. After leaving the EMI Group, where he was group purchasing director, in 1980 he set up his own management consultancy practice, Tom Critchley Associates. He is a past president of the Institute of Purchasing and Supply. Mr Critchley was recruited by open competition with the approval and involvement of the Civil Service Commission.

★

Mr Iain Nesbitt, previously sales director of SPD Group, now part of the National Freight Corporation, has been appointed sales director of JOHN MORRELL & CO, canned vegetables and petfoods manufacturer.

★

Mr Ian Waddell and **Mr Michael Reid** have been appointed executive directors of SENTINEL INSURANCE COMPANY, which was recently acquired by Aitken Hume International. Mr Waddell is group financial controller of Aitken Hume International and Mr Reid is managing director of Aitken Hume Funds (Management) and Aitken Hume Portfolio (Management).

★

Mr G. S. Bennet, Mr D. P. Brown, Mr M. Gibson, Mr M. A. Holman, Mr R. J. G. Lubbock, Mr D. A. Mathew, Mr R. E. Morton, Mr A. G. Sadler, Mr J. A. Smith and **Mr R. N. Thorne** have joined the partnership of DE ZOETE & BEVAN, stockbrokers.

★

Mr David Rogers has been seconded from the Walsall office of Moores & Rowland to become director of the WALSALL SMALL FIRMS ADVICE UNIT.

★

Mr Edmond Verschueren has been appointed general manager of ANCHOR FOODS, from January following **Mr Len Brown's** retirement. Mr Verschueren comes from the Nabisco Group, where he was managing director of the grocery division.

★

COMMON BROTHERS has appointed two non-executive directors, **Mr Derek Hall** and **Mr Ted Gunnar Christer Kalborg.** Mr Hall was a director of P&O, *Mr Kalborg is managing director* of Gyllenhammer & Partners International, *London.*

★

TEMPCO UNION has appointed **Mr R. J. Shepherd** as finance director, from December 1. He is currently finance director of a sister National Freight Consortium Company, Fleetcare.

★

GUINNESS has appointed **Mr Colin Liddell,** currently chief executive of Charles Barker Scotland, to head the company's new corporate affairs office in Scotland. He will remain on the board of Charles Barker Scotland as a non-executive director.

★

The EUROLINK GROUP has appointed **Mr Roy Rose** as UK sales director. He was with Interscan Communications Systems as deputy managing director.

★

SOUTHERN ELECTRICITY has appointed **Mr John W. Deane** as financial director. He is at present regional financial controller of the south eastern region of the Central Electricity Generating Board.

★

Mr J. Eric Wright has been appointed a director of TATE & LYLE. **Mr Frank Thomlinson** will be retiring at the end of April and **Mr John Mitchell** will be returning to the UK to succeed **Mr Thomlinson** *as managing* director of a reconstituted UK division. **Mr L. R. 'Red" Wilson,** presently joint managing director of the North American division, will become sole managing director in charge of the companies in the US and Canada.

★

BRITISH PRINTING AND COMMUNICATION CORPORATION has appointed **Mr Ed Hucks** as director of infomatics and telematics, with a place on the main board. He will also be appointed a director of Mirror Group Newspapers and Pergamon Press. His responsibilities will cover all management information systems and data processing installations across the three companies. Mr Hucks was previously the director of European information services with Dun and Bradstreet.

★

Mr Edwin Mitchell has been appointed a director of CHARTHIRE SERVICES.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (z)
80 Holdenhurst Rd, Bournemouth 0345 717373

	Bid Price	Offer Price	+ or −	Yield Gross
High Income				
Gilts & Fixed Int.	110.0	116.4xd	−0.4	10.32
High Inc Equity	77.2	82.3	.....	6.02
Worldwide Bond	155.0	166.1xd	+1.5	5.86
Capital Growth				
American Growth	136.1	145.7	.....	2.46
Asian Pacific	44.0	47.5xd	+0.4	2.65
Assets & Engy. Tt.	80.1	85.6xd	−0.4	1.71
Capital Reserve	60.6	60.9	−0.1	—
Commodity & Engy.	64.0	68.8	.....	1.74
European Capital	60.3	64.1	+0.3	2.38
General	118.6	126.8	−0.5	3.35
Japan	50.0	53.7	+0.7	—
Mastertrust	47.9	50.9	+0.3	1.56
UK Growth Acc Units	105.6	113.5	+0.3	—
UK Growth Dist.	73.8	79.3	+0.3	1.94
U.S. Emerging Co's	51.9	56.1	−0.7	0.46
Equitas Prog	169.2	180.9xd	−0.5	3.38

Aitken Hume
30 City Road, London EC1Y 2AY 01-628 6626

American Tech Fd	102.3	109.4	−0.3	—
Pacific Fd	113.3	121.2	+1.7	0.20
Secured Income Fd	142.6	152.5	−1.6	5.58
Special Sits	165.5	177.1	.....	1.56
Energy Fd	27.2	29.1	+0.6	0.60
American Major	58.8	62.9	+0.2	1.56
Small Co's Fd	31.4	33.5	.....	1.97
Jap. Technology	61.9	66.2	+0.8	0.10
International Income	49.3	52.7	−0.5	7.00
Exempt	457.1	489.0	.....	—
UK General Fund	24.7	26.4	.....	—

Allied Dunbar Unit Trusts PLC (a)(g)
Allied Dunbar Centre, Swindon, SN1 1EL (0793) 610366 & 28291

Balanced Trusts				
First Trust	191.6	204.1	−0.6	3.25
Growth & Inc Trust	112.6	119.9	−0.5	3.97
Capital Trust	199.5	212.5	−0.9	3.23
Balanced Trust	304.4	324.2xd	−0.4	3.83
Accum Trust	466.9	497.2xd	−1.1	2.92
Income Trusts				
American Income Tst.	27.7	29.5	+0.1	4.41
High Income Trust	202.4	215.4	+0.1	5.37

Brown Shipley & Co Ltd (a)(g)
9-17 Perrymount Rd, Haywards Hth 0444 458144

B.S. Fund	49.5	53.0	.....	4.35
B.S. Accum	81.5	87.2	.....	4.36
Financial	106.0	114.0	.....	2.15
Germany	29.9	[illegible]	.....	2.00
Growth Accum	152.3	163.8	.....	—
Growth Income	98.3	105.8	.....	2.00
High Income	52.4	56.4	.....	7.16
Income	61.1	65.7	.....	5.97
North American	51.1	55.0	.....	1.27
Orient	49.5	53.0	.....	0.22
Recovery	29.8	31.1xd	.....	3.24
Technology	111.4	119.8xd	.....	0.76

Buckmaster Management Co Ltd (a) (c)
The Stock Exchange, London EC2P 2JT 01-588 2868

General Inc Dec 5	174.5	183.5xd	.....	4.20
Accum Units Dec 5	274.9	289.1	.....	4.20
Income Dec 4	82.5	86.2	.....	6.40
(Accum Units) Dec 4	140.7	147.9	.....	6.40
International Dec 5	97.8	102.2	.....	2.70
(Accum Units) Nov 26	128.2	133.9	.....	2.80
Smaller Co's Dec 6	863.6	925.1	.....	2.50
(Accum Units) Dec 6	906.0	970.5	.....	2.50

CS Fund Managers Limited
125 High Holborn, London WC1V 6PY 01-242 1148

CS America Fd	47.0	50.0	.....	1.00
CS Japan Fund	46.0	48.9	+0.4	0.44
CS Portfolio Inv. Fd.	55.8	59.4xd	−0.3	3.37

Canada Life Unit Trust Mngrs. Ltd
2-6 High St, Potters Bar, Herts P Bar 51122

Can. Gen. Dist.	95.9	100.9	−0.4	3.24
Do. Gen. Accum	148.5	156.3	−0.5	3.24
Do. Income Dist.	66.0	69.5xd	−0.1	6.35
Do. Inc. Accum.	131.9	138.9	−0.1	6.35
Gilt & Fxd. Int. Trust	36.0	37.9	−0.2	—

Cannon Fund Managers Ltd (z)
1 Olympic Way, Wembley, HA9 0NB 01-902 8876

Growth	238.5	253.7	+1.4	3.60
Income	274.4	291.9	+1.2	5.14
Far East	120.5	128.2	−0.6	0.76
North American	115.0	122.3	−1.0	1.43

Capel (James) Mngt. Ltd
100 Old Broad St, EC2N 1BQ 01-588 6010

Capital	288.0	303.2	.....	2.08
Income	226.4	238.4	.....	5.60
North American	217.2	228.7	.....	1.75

Prices on Dec 4. Next dealing Dec 11.

[illegible]

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Oppenheimer Fund Mngt Ltd

Sun Life Trust Mngmt. Ltd

Pearl Trust Managers Ltd

Swiss Life Pen. Tst. Man. Co Ltd

Perpetual Unit Trust Mngmt.

TSB Unit Trusts

Prolific Unit Trusts

Providence Capital Fd. Mgrs. Ltd

3i & Target Fund Mgrs Ltd

Prudential Unit Trust Mngrs Ltd

Target Trust Mngrs. Ltd

Quilter Management Co Ltd

Reed Stenhouse Inv Services Ltd

Touche, Remnant Unit Trust Mngt Ltd

Reliance Unit Mgrs. Ltd

Ridgefield Management Ltd

Trades Union Unit Trust Managers

N.M. Rothschild Asset Management

Transatlantic and Gen. Secs. Co

Rowan Unit Trust Mngt.

Tyndall Managers Ltd

Royal Life Fd. Mgmt. Ltd

Royal London Unit Tst Mgrs Ltd

Royal Trust Can. Fd. Mgt. Ltd

SKG Management Limited

UK Provident Unit Trust Managers Ltd

Save & Prosper Group

Unit Trust Account & Mgmt. Ltd

Vanguard Trust Managers Ltd

Wardley Unit Trust Managers Ltd

Schroder Unit Trust Managers Ltd

Waverley Asset Management Ltd

WestAvon Unit Trust Managers Ltd

Whittingdale Unit Trust Managers

Wright Seligman Fund Managers Ltd

Scottish Equitable Fund Mgrs. Ltd

INSURANCES

AA Friendly Society

Scottish Life Investments

Abbey Life Assurance Co Ltd

Scottish Mutual Investment Managers Ltd

Scottish Provident Inv. Mgt. Ltd

Scottish Unit Managers

Aetna Life Insurance Co Ltd

Scottish Widows' Fund Management

Standard Life Trust Mngmt. Ltd

Stewart Ivory Unit Trust Mgrs Ltd

Albany Life Assurance Co Ltd

Sun Alliance Fund Management Ltd

Allied Dunbar Assurance Plc

Ambassador Life Ass. Co Ltd

Baltic Assurance Funds

Barclays Life Assur. Co Ltd

Black Horse Life Ass. Co Ltd

British National Life Assurance Co Ltd

Canada Life Group

Cannon Assurance Ltd

City of Edinburgh Life Assurance

City of Westminster Assurance

Clerical Medical/Fidelity International

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Commercial Union Group

Confederation Life Insurance Co

Continental Life Insurance PLC

Cornhill Insurance Plc

Credit & Commerce Life Ass. Ltd

Criterion Assurance Group

Crown Financial Management Ltd

Crusader Insurance Plc

Dominion Financial Management

Eagle Star Insurance Co. Ltd.

Eagle Star Insur./Midland Assur.

Equitable Life Assurance Society

Equity & Law

Family Assurance Society

Federation Mutual Insurance Ltd

Framlington Life Insurance Ltd

Friends' Provident Life Office

GT Management Ltd

General Accident Linked Life Assurance

Assicurazioni GENERALI SpA

General Portfolio Life Ins. Plc

Gresham Unit Assurance Ltd

Growth & Sec. Life Ass. Soc. Ltd

Guardian Royal Exchange

Hearts of Oak Benefit Society

Henderson Administration

Hill Samuel Life Assur. Ltd

Imperial Life Ass. Co. of Canada

Imperial Life (UK) Ltd

Irish Life Assurance Co Plc

The LAS Group

Langham Life Assur. Co Ltd

Legal & General (UA)—Contd.

Kingswood House, Kingswood, Tadworth, Surrey KT20 6EU

Legal & General Prop. Fd. Mgrs. Ltd

Liberty Life Assurance Co Ltd

Lloyds Life Assurance

London A'dean & Nthn. Mtl. Assur. Ltd

London Indemnity & Gnl. Ins. Co Ltd

London Life

London & Manchester Group

M & G Group

MGM Assurance

Legal & General (Unit Assur) Ltd

Manufacturers Life Insurance Co (UK)

Pension Fund Prices

Merchant Investors Assurance

Municipal Life Assurance Co Ltd

NEL Pensions Ltd

National Mutual Life

National Mutual of Australasia

National Provident Institution

New Zealand Insurance Plc

Norwich Union Insurance Group

PSR Fund Management Ltd

Pearl Assurance (Unit Funds) Ltd

Phoenix Assurance Co Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Property Equity & Life Ass. Co

Property Growth Assur. Co Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc. Ltd

Provident Mutual Life Assc. Assn.

Prudential Pensions Limited

Reliance Mutual

Royal Life (Unit Linked Assurance) Ltd

Save & Prosper Group

Schroder Life Assurance Ltd

Scottish Amicable Investments

Scottish Equitable Life Assce. Soc.

هكذا من الأصل

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	28	Marks & Spencer	13
BAT	26	Midland Bk	35
BOC Grp	27	NEI	10
BSR	8	Nat West Bk	55
BTR	33	P & O Dfd	36
Babcock	13	Plessey	14
Barclays	33	Polly Peck	21
Beecham	30	Racal Elect	15
Blue Circle	50	RHM	12
Boots	18	Rank Org Ord	35
Bowaters	30	Reed Intnl	60
Brit Aerospace	32	Sears	11
Brit. Telecom	17	TI	35
Brown (J.)	3½	Tesco	24
Burton Ord	45	Thorn EMI	34
Cadburys	13	Trust Houses	12
Charter Cons	18	Turner Newall	9½
Comm Union	23	Unilever	98
Courtaulds	13	Vickers	35
Distillers	36	**Property**	
FNFC	12	Brit Land	14
Gen Accident	55	Land Secs	26
Gen Electric	14	MEPC	26
Glaxo	100	Peachey	24
Grand Met	30	Samuel Props	15
GUS 'A'	70	**Oils**	
Guardian	68	Brit. Oil & Min	3½
GKN	20	Brit Petroleum	45
Hanson Tst.	18	Burmah Oil	27
Hawker Sidd.	36	Charterhall	4
ICI	42	Premier	5
'Imps'	16	Shell	55
Jaguar	27	Tricentrol	18
Ladbroke	27	Ultramar	18
Legal & Gen	60	**Mines**	
Lex Service	24	Cons Gold	40
Lloyds Bank	35	Lonrho	12
Lucas Inds	38	Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

EEC considers proposals to reform beef support

BY IVO DAWNAY IN BRUSSELS

RADICAL PLANS to dismantle the EEC's price support system for beef farmers and replace it with direct headage payments are revealed in a document under discussion by senior farm managers in the European Commission.

The proposals aim to abolish by the end of November 1987 all guaranteed price supports for beef sales to community stores in favour of the yearly payment of Ecu 20 (£12) for each animal. This will be limited to 50 animals in each farmers' herd, taking away the incentive to expand the Community's livestock holding.

National governments would be allowed to supplement this community payment under the scheme, with a further Ecu 23 subsidy from their own treasuries. The grants wculd also be available to diary cattle.

According to the Commission's calculations the cost of the measures would, amount to about Ecu 450m from community funds, but this is substantialy less than half the cost of the guaranteed price system now in force.

Officials have also calculted allowances into the proposal for a continuation of the grants that cover the cost of storgae in private cold stores.

The commission estimates that the headage payments would cover about 21m of the 28m beef and dairy cattle farmed by 800,000 farmers across the EEC.

It envisages a transition period allowing a part payment for specialist beef farmers in November or December next, and the gradual dismantling of the guaranteed buying-in system to be completed by November 1987.

At the same time efforts will be stepped up to sell off the 800,000 tonnes in stock in order to empty community stores by that date. So large are the quantities in store that the EEC has been forced to hire cold stores in Switzerland and Austria, to house it all.

The plan aims however to keep up the traditional disposal methods, of export subsidies and private storage aids.

The radicalism of the plan is a clear indication of the desperation with which the Commission views the mounting beef surplus. Details of the proposals are thought likely to be published later this month as part of the findings of the six month old debate on Common Agricultural Policy (CAP) reform lodged this summer.

Many member states maybe strongly opposed to the proposal, but the built-in support for smaller farmers and the introduction of greater play for market forces within the EEC's internal beef market, may win it some backing.

Speculation was mounting in Brussels yesterday that a Franco-Swiss consortium is ready to buy the entire EEC stock of boned beef for a major sale to Eastern Europe and the Soviet Union.

The tonnage involved could account for about a quarter of the Community's 800,000 tonne beef mountain. Unconfirmed reports says that Secogest of Geneva is heading the deal and has already discussed details with market managers in Brussels.

Special measures to reduce beef stocks through price cuts have been introduced this autumn as slaughterings, in part a result of the imposition of milk quotas on dairy farmers, have added substantially to tonnages in store.

UK mutton hit by 'clawback' levy

By Our Brussels Staff

THE EUROPEAN Commission yesterday issued a new regulation imposing a so-called "clawback" tax on UK exports of mutton to the Continent, in an effort to conclude a longstanding row about sales of ewe carcases.

The move was greeted by the British Government and the National Farmers' Union which claimed the new levy "cynically discriminates against a legitimate UK export."

Mr Michael Jopling, the UK Farm Minister, yesterday confirmed that he would be making further representations to the Commission to reconsider its decision. He also called on Mr Henri Nallet, his French counterpart, to order an immediate halt to bureaucratic obstacles to UK mutton exports suffered by traders during the past two weeks.

The so-called clawback is, in fact, a direct tax on British mutton sales as it requires a payment to compensate for Community aid which ewes do not actually receive. In effect, industry experts believe the cost will amount to about 50p for each kilo

Tin council resumes crisis talks

BY STEFAN WAGSTYL IN LONDON AND JOHN DAVIES IN FRANKFURT

THE UK appears to have gained a little ground in the battle to persuade its European Community partners to follow its lead in attempting to solve the tin market crisis.

But there are still very few signs that when the International Tin Council resumes its fifth emergency session on the tin crisis today, the EEC countries will take the initiative in putting forward settlement proposals.

Other governments in the 22-member council have been looking to the EEC countries to make the first move in proposing ways of settling the debts of hundreds of millions of pounds which the ITC has run up with banks and metal brokers in trying to support tin prices.

The UK, which has pledged to honour these debts in full, has so failed to persuade its European partners to do the same despite weeks of trying. However, there were indications yesterday that West Germany, which has until now rejected Britain's arguments, may have softened its position.

Bonn still resolutely believes that it has no legal obligation to commit itself to further financial outlay to solve the tin crisis.

However, the government recognises that there are foreign policy considerations involved. Such considerations overrode Bonn's original doubts about going along with the current International Tin Agreement in 1982.

West Germany has always had reservations about the International Tin Pact in view of its belief in free market principles.

But the Bonn government may have shifted its position in recent weeks. Bonn's readiness to acknowledge political factors may show some flexibility in its approach to the tin crisis.

But the West Germans do not believe that any suggestion for a solution should come from them. They believe that it is up to tin producers and the council's creditors to put forward proposals.

West Germany has so far argued that it is only committed to guaranteeing its share of loans on 20,000 tonnes of tin—as was specifically stated in the current (sixth) International Tin Agreement, which came into force in 1982. However, once its forward purchases are complete, the tin council will have about 120,000 tonnes of metal on its hands, with gross liabilities of up to £900m.

Other EEC countries have generally taken the lead from West Germany which could suggest that a shift in the German view could lead others to respond more favourably to proposals for settling with the council's creditors.

However, some countries are still hostile towards Britain's approaches. One European delegate said: "Britain should take the lead. It is in the UK Government's interest to do so. It's their City, their exchange. They're just sitting on their hands waiting for someone else to take the lead. They should put money on the table."

There are hopes that today's ITC meeting could agree to set up a negotiating team to talk to the council's creditors. However, the council would then look to the bankers and metal brokers to share the burden of financing the run-down of the tin stockpile.

Meanwhile, fears are increasing that the control of the tin market is slipping out of the hands of the London Metal Exchange which has kept tin trading suspended since the crisis broke on October 24. Yesterday Capper Pass, the Humberside smelting company which is part of the Rio Tinto-Zinc group, restarted making priced sales. It had earlier been delivering tin on contracts to be priced when LME trading resumed. Mr John Mills, the managing director, said suppliers and customers could wait no longer.

The smelter was selling only small amounts of tin, but big customers wanting lots of hundreds of tonnes were likely to be buying after Christmas. The company had to be ready for them. The average price of tin sold yesterday was £6,800 a tonne—compared with an LME suspension price of £8,140.

LONDON METAL EXCHANGE WAREHOUSE STOCKS
(Change during week ending last Friday)

	(tonnes)
Aluminium	+5,000 to 220,750
Copper	−1,475 to 184,025
Lead	+375 to 58,075
Nickel	+30 to 4,914
Tin	+6,810 to 56,335
Zinc	+50 to 28,725
	(ounces)
Silver	−620,00 to 51,170,000

Thailand wins higher quota for tapioca

THE EUROPEAN Economic Community has agreed in principle to raise its import quota for Thai tapioca by 1m tonnes a year to 5.5m tonnes annually between 1987 and 1990, according to Mr Kosol Krairiksh, the Thai commerce minister, reports Boonsong K'thana. in Bankgok.

The agreement was reached at a recent negotiation in Europe between EEC senior officials and the Thai minister. However, it needs final government approval from both sides.

The deal will replace a pact signed in 1982 which limited annual exports of Thai tapioca to the EEC to 5m tonnes in 1983-84 and 4.5m tonnes in 1985-1986.

The EEC has been Thailand's most important market for Tapioca, taking up to 90 per cent of Thai exports. Tapioca is the kingdom's second largest foreign exchange earner after rice.

● The Philippine Government has approved the establishment of the privately-owned Philippine Sugar Marketing Corp (Philsuma) which replaces the state monopoly, national sugar trading corp (Natsutra). This move complies with reforms sought in the sugar industry by the International Monetary Fund, *reports Reuter in Manila.*

The IMF had demanded dismantling of monopolies in the agricultural sector as a condition for additional loans to the Philippines.

● Tea prices showed some falls at yesterday's weekly London auction. Quality grades were unchanged from last week at average prices of 175p per kilo, but the medium price fell from 132p to 125p. The Tea Broker's Association said there was "fair general demand" for the 36,324 packages on offer.

● The commodity exchange inc (COMEX) will advance $4.1m to speed full restoration of funds to non-defaulting customers of Volume Investors Corp (VIC), a former Comex clearing member which was placed in receivership in March, *reports Reuter in New York.*

Precious metals recovery seen

BY STEFAN WAGSTYL

A RECOVERY in prices for precious metals and some base metals is forecast by broker Amalgamated Metal Trading in six-monthly review of the metal markets, published today.

AMT admits it was proved wrong when it predicted higher metal prices in its last review in April. Since then, it says, prices have fallen dramatically, almost without exception, in both sterling and dollar terms.

But the company says it does not share the view that economic growth in 1986 will be weak and metal prices will stay broadly unchanged.

On the contrary, AMT says that the decision of the G5 group of leading industrial countries to bring down the dollar against other currencies and US initiatives about Third World debt have enormous implications.

Copper, aluminium and nickel prices should all benefit from a positive economic outlook, though the prospects for zinc are less favourable, says AMT.

Counting the cost of idealism

Farmer's viewpoint:
By John Cherrington

THANKS TO a change of heart on the part of the EEC cereals management committee, 373,000 tonnes of wheat have been sold from Britain's store of 6m tonnes of grain in Intervention stores. This was not the result of high-powered salesmanship, but was on a tender basis where eventually the EEC agreed to the price offered. The wheat has effectively been put on the world market at roughly the US$ equivalent of the world price for feed wheat.

It was a costly exercise. The wheat was probably purchased in October 1984 at about £117 delivered, plus some of the transport cost if it was further than 35 miles from the farm. Storage for the year could be about £13 per tonne. Then we have the finance costs where the EEC does gain a bit by delaying payment. But there could be an additional charge for loss in weight etc. So the final sum could look like this:

	£
Cost of wheat per tonne	117
Storage	13
Interest 2/3 years at 11%	10
Administrative losses	5
Total	145
Returns at Ecu 119 pt	73
Cost to the CAP	72

This I assure you is not designed as an attack on the Common Agricultural Policy although from its inception I regarded it as a piece of utter nonsense. But it is a price that the idealists who favour European Unity assure us is well worth paying. Idealists seldom count the costs of their activities. It is also an indictment of the nonsense of the instability of exchange rates. Last year, with the US$ at £1.10 instead of £1.48 the cost would have been about £54 per tonne.

A logical solution would be to pay farmers about £50 per tonne for the expected output of land they took out of production. This might suit tired old men like myself.

The trouble is that it is largely a British problem. Climatically we seem to be suited to the production of feed wheats considered unsuitable for human consumption. Why they are I don't know, but protein content and other quality factors are not as good as those generally found in French and German wheats or of our main EEC competitors, to say nothing of those from the US and Canada.

There are better quality wheats available, but these quality factors do seem to be very much affected by the weather. A third of my acreage is devoted to these quality wheats but in this year's dreadful harvest they were a great disappointment.

Last year's crop was much better both in yield and quality. I offered them to the millers, but in the end nearly all my wheats ended up in Intervention because there was no premium for quality. This year none of these would qualify.

It is common sense that all things being equal—that is, with a negligible premium for quality, it is best to grow a heavy yielding feed wheat than a lower yielding quality one.

As a pointer as what could be done it is worth looking at the starch industry here. Starch, as I discovered when I visited Tunnel Refineries in London last week, is no longer used for armour plating young ladies against over-eager young men, but for a basic feedstock for a whole variety of food and industrial processes too complex to elaborate here.

Traditionally in Britain it had been made from American maize and still is to some extent. But maize is protected in the EEC, and the levy at present is more than £60 per tonne. French maize, which is available, is not as good as the US variety, probably as a result of the climate. So Tunnel has invested in facilities to use wheat flour as a basis of its process,

At present the wheat starch industry is using about 330,000 tonnes of wheat. One advantage is that the gluten by-product has been used to enrich British milling wheat so that it has been able to substitute for about a million tonnes of imported wheat. There is no reason, I was told, why British wheat could not form the basis of the whole starch industry. Instead the prospect looks bleak.

Because it uses protected agricultural products like wheat, but has to compete against levy free industrial products and also levy free imports of maize gluten meal, one of their own by products, the starch industry does receive an EEC refund on grain use of about £16 per tonne.

LONDON MARKETS

ALUMINIUM prices rose sharply yesterday on the London Metal Exchange, buoyed up by the announcement that US producer Alcoa is closing 350,000 tonnes of capacity. Although some of this may already be idled, dealers said the news bolstered sentiment in a market already supported by active investment fund buying and short-covering on the back of sterling's weakening against the dollar. Cash metal closed at £695 a tonne, £17.50 up from Friday's finish. Copper was also firm, though it eased from yesterday's peaks to close at £950.75 a tonne, up £2.50 on the day. In soft commodities, cocoa futures got a new lease of life yesterday, rising £42.50 per tonne to £1,732, the highest level since late October. Dealers said this reflected firmer than expected New York prices, weaker sterling and bullish charts. Coffee futures, meanwhile, rose only marginally after their sharp jumps of last week, weighed down by profit-taking.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	694-6	+17.5	689/688
3 months	719-20	+18.75	720/706

Official closing (am): Cash 689-90 (670-.5), three months 711.5-2.5 (692.5-3), settlement 690 (670.5). Final Kerb close: 719-20.
Turnover: 49,825 tonnes.

COPPER

Higher grade	Unofficial close	+ or −	High/low
Cash	950.5-1	+2.5	949/948
3 months	969.5-70	+4	975/966.5

Official closing (am): Cash 948.5-9 (953-.5), three months 968-.5 (968.5-9), settlement 949 (953.5). Final Kerb close: 967-8.

Cathodes			
Cash	938-40	+1.5	953
3 months	1956-8	+5.5	964

Official closing (am): Cash 933-4 (938-9), three months 963-4 (955.5-6), settlement 934 (939).
Turnover: 28,875 tonnes. US Producer prices 67-71 cents per pound.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	265-6	−1	268/264
3 months	273-4	−2.5	274/272

Official closing (am): Cash 264.25-.5 (265-.25), three months 272-3 (272-.5), settlement 264.5 (265.25). Final Kerb close: 274-5.
Turnover: 7,075 tonnes. US Spot: 18.75-20 cents per pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	2730-40	+34.5	2740/2725
3 months	2765-75	+18.5	2780/2765

Official closing (am): Cash 2730-5 (2690-5), three months 2780-5 (2740-1), settlement 2735 (2695). Final Kerb close: 2780-90.
Turnover: 714 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	470-1	+8	467/465
3 months	464-5	+6.75	464.5/462

Official closing (am): Cash 466-7 (459-60), three months 463-.5 (456-7), settlement 467 (460). Final Kerb clos: 463-4.
Turnover: 8,800 tonnes. US Prime Western: 33-35.75 cents per pound.

GOLD

Gold fell $5 to $317½-318, the lowest close since September 19, on speculation that the agreement by Opec ministers in Geneva at the weekend will depress oil prices and help to control world inflation. The metal opened at $320-320½, and was fixed at $320.15 in the morning and $317.40 in the afternoon. It touched a peak of $320¾-320¾ and a low of $316¾-317¼.

Close	$317½-318	(£217-217½)
Opening	$320-320½	(£218¼-218¼)
M'n'g fix	$320.15	(£219.056)
Aft'n'n fix	$317.40	(£217.026)

GOLD AND PLATINUM COINS

Kr'g'r'nd	$319½-320	(£219¼-219½)
½ Krug.	$167-168	(£114½-115¼)
¼ Krug.	$84½-85½	(£58-58¾)
1/10 Krug.	$34½-35½	(£23¾-24¼)
Mapleleaf	$327¾-328¼	(£224¾-225¼)
Angel	$331½-333½	(£227¼-228¾)
1/10 Angel	$33¼-37¼	(£22-25½)
New Sov.	$77¼-77¾	(£53-53¼)
½New Sov	$46¼-46¾	(£31¾-32)
Old Sov.	$80-81½	(£54¾-56)
$20 Eagle	$420-470	(£294¾-332¼)
Noble Plat	$339-342¾	(£232½-236¼)

SILVER

Silver was fixed 0.65p an ounce lower for spot delivery in the London bullion market yesterday at 409.35p. US cent equivalents of the fixing levels were: spot 598.5c, down 7.1c; three-month 610.2c, down 6.95c; six-month 622.1c, down 7.15c; and 12-month 646.5c, down 7c. The metal opened at 409.411p (600-602c) and closed at 403-405p (590-592c).

LME—Turnover: 18 (26) lots of 10,000 oz.

SILVER per troy	Bullion Fixing Price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	409.35p	−0.65	402.5p	−4.5
3 months	420.60p	−0.60	414.5p	−4.5
6 months	432.05p	+0.15	—	—
12 months	454.15p	+0.25	—	—

Three months high 418.1p, low 414p, final kerb 414-6p.

MEAT

Prices closed slightly firmer in poor volume. Physicals were also steadier, reports CCST Commodities.

Sales: 11 (0) lots of 50 carcases, 3,250 kg.

Month	Yesterday's close	Previous close	Business done
	p. per kilo (deadweight)		
Feb	102.00	102.30	102.0-101.8
April	103.20	103.10	105.5-102.5
June	100.30	100.10	100.5
Aug	99.00	99.00	—
Oct	104.10	104.00	—
Nov	105.30	105.30	—

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 101.45p per kg lw (+5.03). GB—Sheep 157.19p per kg est dwc (+8.83). GB—Pigs 82.09p per kg lw (−0.91).

INDICES

FINANCIAL TIMES

Dec. 9	Dec. 6	M'th ago	Year ago
—*	—*	—*	288.55

(Base: July 1 1952=100)

REUTERS

Dec. 9	Dec. 6	M'th ago	Year ago
1765.8	1759.0	1735.9	1978.8

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Dec. 6	Dec. 5	Month ago	Year ago
Spot	122.25	123.10	—	124.54
Fut.	124.87	124.68	—	125.25

(Base: December 31 1974 = 100)
* Not available due to suspensic of tin LME.

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Dec. 9 1985	+ or −	Month ago
METALS			
Aluminium	£1100		£1100
Free Mkt	$1080/90	+25	$980/1000
Copper			
Cash h Grade	£950.75	+2.5	£958.25
3 mths	£969.75	+4	£985.25
Gold Troy oz	$317.75	−5	$323
Lead Cash	£265.5	−1	£278.5
3 mths	£273.6	−0.25	£277.5
Nickel			
Free Mkt	181/201c	+2	182/282c
Palladium oz	$97.75	−3.25	$98.40
Platinum oz	$333.25	−8.5	$326.60
Quicksilver†	$270/280		$280/285
Silver troy oz	403.35p	−0.85	428.00p
3 months	420.80p	−0.58	439.90p
Tin cash	‡		‡
3 months	‡		‡
Tungsten	$67.77		$70.26
Wolfram 22.01b	$58/64		$60/65
Zinc	£470.5	+8	£401
3 months	£464.5	+6.75	£409.5
Producers	$860/870		$860/870
OILS			
Coconut (Phil)	$387.5x	+5	$415
Palm Malayan	$380z		$357.5
SEEDS			
Copra Phil	$237.5		$260
Soyabean (U.S.)	$216.6	+0.2	$222
GRAINS			
Barley Fut. Mar.	£112.95		£110.20
Maize	£142.50	+2.5	£134.00
Wheat Fut. Mar.	£115.45	+0.85	£110.80
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Mar.	£1732	+42.5	£1590
Coffee Ft. Mar.	£2056.5	+8	£1838.5
Cotton A Index	48.05c	+0.15	48.10c
Gas Oil Jan.	$242.25	−12	$265
Rubber (kilo)	56p	+0.5	56.5p
Sugar (raw)	$144x	−2.5	$140.5
Wooltops 64s	392p kilo	+3	396p kilo

In tonnes unless otherwise stated. ‡ Unquoted. x Dec-Jan. † Per 76 lb flask. c Cents per pound. z Jan.

COCOA

Steadier New York prices and weaker sterling led the rally. Strong trade and commission house buying pushed prices through the £40 limit on the closing call. Manufacturers remained sidelined and producers appeared reluctant to enter the market, reports Gill and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or −	Business Done
Dec.	1680-1681	+43.0	1681-1655
March	1731-1733	+42.5	1735-1706
May	1745-1746	+34.0	1748-1725
July	1757-1758	+31.0	1758-1742
Sept.	1768-1770	+26.5	1770-1760
Dec.	1768-1774	+28.0	1775-1764
March	1780-1786	+19.5	—

Sales: 4,848 (1,994) lots of 10 tonnes.

ICCO indicator prices (US cents per pound). Daily price for December 9: 108.91 (107.97): five day average for December 10: 107.42 (107.14).

COFFEE

Following a firm New York close and a sharp decline in sterling, London opened £40-44 higher, reports Drexel Burnham Lambert. Gains were extended slightly before commission house selling produced a gradual retreat during a fairly active afternoon.

COFFEE	Yesterday's Close	+ or −	Business Done
Jan.	2005-2010	−0.5	2064-2055
March	2055-2058	+8.0	2100-2060
May	2108-2110	+17.0	2135-2098
July	2145-2150	+25.0	2178-2148
Sept.	2195-2200	+28.5	2225-2185
Nov.	2230-2250	+37.5	2278-2255
Jan	2240-2280	+35.0	2264

Sales: 9,930 (14,797) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for December 6: Comp. daily 1979 157.21 (153.17); 15-day average 145.11 (143.95).

FREIGHT FUTURES

In very quiet trading, futures drifted lower. There was no significant news in the physical market, reports Clarkson Wolff. The Baltic Freight Index was 918.5, down 2.

	Close	High/Low	Prev.
Jan.	885/886	892/886	—
April	937/939	928/954	—
July	815/835	825/845	—
Oct.	915/917	915/920	—
Jan.	915/920	925/935	—
April	960/988	985/990	—
July	860/884	860/885	—
Oct.	950/1000	950 1000	—

Turnover: 48 (133).

GRAINS

Wheat opened 25p steadier on a slightly firmer physical market but drifted in very thin trading. Barley was extremely thin, also seeing the highs at the start of the day and then drifting back, reports Muirpace.

	WHEAT		BARLEY	
Mnth	Yesterd'ys close	+ or −	Yesterdys close	+ or −
Jan	113.65	+0.05	109.95	—
Mar	115.45	+0.05	112.95	—
May	118.30	—	114.95	—
July	120.45	—	—	—
Sept.	98.85	−0.10	98.60	—
Nov	101.75	−0.10	101.75	—

Business done—Wheat: Jan 112.80-2.70, Mar 115.55-5.50, May 118.55-8.30, July 120.50 only, Sept and Nov untraded. Sales: 168 lots of 100 tonnes. Barley: Jan 110.00-09.95, Mar 113.00-2.95, May 115.00 only. Sept and Nov untraded. Sales: 26 lots of 100 tonnes.

LONDON GRAINS—Wheat: US dark northern spring no 1 15 per cent Dec 134.75, Jan 135.30, Feb 138 transhipment east coast. US no 2 soft red winter Jan 122, Feb 122.25, Mar 122.50. EC French Dec 132. English feed fob Dec 113 seller Shoreham/Boston. Feb 116.50-17.00, Jan/Mar 116.00-116.75, Jan/June 117.75-118.50, April/June 120.00-120.50 buyer/sellers. Maize: US no 3 yellow/French transhipment east coast Dec 142.50. Barley: English feed Jan 113.00 paid Scotland, Dec 110.50 seller Perth. Jan 113.00 buyer English/Scottish, Jan/Mar 114.75-115.75 buyer/seller. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed barley: E. Mids 107.30, Scotland 105.10. The UK monetary coefficient for the week beginning Monday December 16 (based on HGCA calculations using four days' exchange rates) is expected to be unchanged.

COTTON

LIVERPOOL—Spot and shipment sales for the week ending December 6 amounted to 1,085 tonnes against 731 tonnes in the previous week. Interest was shown in East and West African, Turkish, Israeli, Colombian, Pakistani, Chinese and Peruvian varieties.

US MARKETS

PRECIOUS METALS came under aggressive selling pressure on fears of an oil price war as Opec attempts to maintain its market share, reports Heinold Commodities. Copper came under pressure in sympathy with weakness to sterling and precious metals. Aluminium firmed on expectations that the monthly trade stocks report will show a further stock drawdown of primary aluminium. The lack of fresh news and weakness in other markets prompted light selling in sugar. Coffee sold off from early highs on profit-taking ahead of a further export quota increase later this week. Cocoa gained ground reflecting lower than expected purchases from the Ivory Coast. Cotton traded under light pressure in sympathy with weakness to precious metals. The energy complex moved limit down in reaction to a shift in policy at the Opec meeting which emphasises market share rather than price levels. The soyabean complex strengthened in response to expectations of no changes in the 1985 programme.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Dec	47.15	—	—	46.50
Jan	47.35	—	—	46.70
Feb	47.75	—	—	47.45
March	48.10	48.20	47.80	47.45
May	48.75	48.80	48.70	48.20
July	49.40	49.55	49.40	48.90
Sept	50.10	—	—	49.65
Dec	51.15	—	—	50.75
Jan	51.50	—	—	51.10
March	52.20	—	—	51.85

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
Dec	2188	2190	2175	2170
March	2268	2273	2238	2255
May	2307	2310	2288	2300
July	2330	2335	2316	2323
Sept	2360	2345	2335	2348
Dec	2365	—	—	2351
March	2376	—	—	2362

COFFEE "C" 37,500 lb, cents/lb

	Close	High	Low	Prev
Dec	177.50	180.50	177.50	180.37
March	182.97	185.77	182.75	182.27
May	185.93	189.00	185.00	186.26
July	189.40	192.72	188.75	189.72
Sept	192.89	196.00	192.50	192.20
Dec	196.55	—	196.50	195.26
March	198.50	203.00	200.50	197.33
May	199.50	203.50	206.50	199.67

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
Dec	63.85	64.00	63.65	64.20
Jan	63.65	64.00	63.60	64.05
Feb	63.60	—	—	63.90
March	63.55	64.00	63.30	64.10
May	63.75	64.15	63.60	64.25
July	63.90	64.15	63.70	64.35
Sept	64.10	64.30	64.00	64.50
Dec	64.35	64.70	64.20	64.80
Jan	64.45	—	—	64.90
March	64.65	65.00	64.90	65.10

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	High	Low	Prev
Jan	27.53	27.95	27.50	28.74
Feb	27.03	27.17	27.03	28.03
March	26.47	26.57	26.47	27.47
April	25.97	26.10	25.97	26.97
May	25.64	25.90	25.64	26.64
June	25.31	25.80	25.31	26.31
July	25.10	25.35	25.10	26.10
August	25.00	25.02	25.00	26.00
Sept	24.90	25.10	24.90	25.90
Oct	24.82	24.90	24.82	25.82

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Dec	316.2	319.2	315.0	322.3
Jan	317.9	—	—	320.0
Feb	319.8	322.9	318.3	326.2
April	323.5	326.7	322.0	330.0
June	327.5	330.5	326.5	334.1
August	331.6	333.5	331.2	338.3
Oct	335.9	337.3	334.5	342.7
Dec	340.4	344.3	338.7	347.3
Feb	344.9	345.7	345.0	351.9
April	349.6	350.3	350.3	356.7
June	354.7	—	—	361.9
August	360.0	360.7	360.7	367.3
Oct	365.3	—	—	368.6

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
Jan	79.60	81.05	79.50	83.17
Feb	80.46	80.46	80.46	82.46
March	76.07	76.07	76.07	78.07
April	71.67	71.70	71.67	73.67
May	68.50	69.00	68.50	70.50
June	67.80	68.25	67.80	69.80
July	67.65	68.10	67.80	69.65
August	67.15	67.75	67.75	69.15
Sept	67.25	—	—	68.95
Oct	67.25	—	—	68.95

SPOT PRICES—Chicago loose lard 15.50 (16.00) cents per pound. Handy and Harman silver bullion 588.5 (603.0) cents per troy ounce.

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
March	60.47	60.58	60.30	60.59
May	60.77	60.90	60.70	60.85
July	59.40	59.52	59.26	59.54
Oct	53.30	53.46	53.00	53.40
March	51.69	52.40	51.75	52.22
May	52.02	—	—	53.01

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
Jan	177.80	118.00	116.05	116.10
March	119.05	119.80	116.25	117.65
May	119.00	119.50	116.20	119.00
July	119.50	119.50	117.40	118.50
Sept	115.75	115.70	115.00	115.25
Nov	115.95	—	—	115.50
Jan	116.15	—	—	115.60
March	116.35	—	—	115.80
May	116.35	—	—	112.80

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Dec	582.1	600.0	581.0	602.9
Jan	585.5	603.0	589.0	606.6
Feb	589.5	—	—	610.8
March	593.5	609.0	592.0	615.0
May	601.6	618.0	600.0	622.3
July	609.7	626.0	608.0	631.8
Sept	618.3	636.0	619.5	640.8
Dec	631.4	650.0	630.0	654.5
Jan	635.8	—	—	659.2
March	645.0	661.0	643.0	668.6

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
Jan	5.38	5.42	5.32	5.51
March	6.32	6.35	6.21	6.40
May	6.49	6.51	6.37	6.53
July	6.62	6.62	6.51	6.65
Sept	6.75	6.67	6.66	6.77
Oct	6.86	6.87	6.74	6.88
Jan	6.98	—	—	7.01
March	7.43	7.46	7.35	7.43

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Dec	321.9	—	—	343.2
Jan	323.9	341.0	322.6	345.2
Feb	324.9	329.5	329.5	346.2
April	326.9	342.5	327.0	346.8
July	330.2	345.5	329.5	350.1
Oct	333.7	349.0	334.0	353.6
Jan	338.7	353.0	353.0	358.6

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Dec	66.65	67.05	65.85	65.92
Feb	63.57	63.82	62.25	62.40
April	62.12	62.70	60.90	61.35
June	62.27	62.50	61.20	61.35
August	60.75	60.95	59.95	59.97
Oct	59.50	59.80	58.70	58.77
Dec	60.70	60.80	60.70	60.10

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
Dec	50.10	50.37	49.30	49.45
Feb	48.37	48.70	47.60	47.55
April	43.32	43.60	42.50	42.55
June	45.05	45.35	44.55	44.47
July	45.32	45.50	44.50	44.45
August	43.95	44.65	42.85	43.40
Oct	40.70	40.95	40.05	40.20
Dec	41.85	41.85	41.70	41.85
Feb	41.80	41.80	41.30	41.65

MAIZE 5,000 bu min, cents/56-lb bushel

	Close	High	Low	Prev
Dec	244.4	244.6	242.4	243.4
March	245.0	245.0	244.0	244.4
May	247.4	247.6	246.2	246.6
July	247.0	247.0	245.2	246.0
Sept	235.0	235.0	234.0	235.0
Dec	229.0	229.0	227.2	228.6
March	236.6	236.6	235.2	236.4

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
Feb	66.25	66.25	64.30	64.25
March	66.37	66.37	64.50	64.37
May	67.60	67.60	65.40	65.60
July	67.35	67.40	65.70	65.50
August	65.07	65.10	63.60	63.27

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
Jan	513.2	515.0	506.4	508.0
March	522.2	524.0	515.0	516.2
May	531.0	532.2	524.6	526.0
July	537.2	538.0	530.4	532.6
August	534.0	534.4	530.0	530.4
Sept	510.0	514.0	510.0	511.0
Nov	508.0	510.0	506.0	509.6
Jan	517.4	519.0	517.4	519.4
March	530.4	—	—	533.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Dec	144.9	147.0	144.5	144.8
Jan	145.0	147.2	144.5	144.9
March	145.8	147.5	145.3	145.7
May	146.9	147.7	145.8	146.8
July	147.7	148.5	146.8	147.3
August	147.7	148.0	147.0	147.0
Sept	143.3	143.5	142.5	143.5
Oct	139.7	140.1	139.5	140.0
Dec	141.5	141.5	140.0	141.4
Jan	140.5	—	—	141.3

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
Dec	19.97	20.08	19.65	19.73
Jan	20.05	20.21	19.72	19.82
March	20.41	20.49	20.12	20.18
May	20.70	20.75	20.40	20.47
July	20.95	21.05	20.70	20.77
August	20.95	21.05	20.77	20.77
Sept	20.92	20.92	20.85	20.78
Oct	20.90	20.90	20.85	20.78
Dec	20.90	20.90	20.65	20.77
Jan	20.90	—	—	20.80

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
Dec	341.0	345.0	339.2	344.0
March	341.2	346.2	340.4	343.6
May	320.4	324.2	320.0	322.0
July	293.6	298.4	293.6	295.0
Sept	294.4	299.0	294.4	295.6
Dec	305.2	308.2	305.2	305.4

POTATOES

The market opened 60p down, basis April, and once more drifted lower in thin volume to test the recent support level of £90.60. Buying interest here was keen but by the close support had gradually been eroded, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Feb	81.80	82.30	—
Apr	90.60	91.80	91.50-90.60
May	96.00	97.50	96.60-96.00
Nov	73.60	73.80	—

Sales: 255 (316) lots of 40 tonnes.

SOYABEAN MEAL

	Yesterday close £ per tonne	+ or −	Business Done
Dec.	—	—	—
Feb.	126.8-127.2	+1.55	127.0-126.5
Apr.	127.5-127.8	+1.25	127.5-127.1
June	122.7-123.0	+1.36	122.8
August	121.1-121.8	+0.55	—
October	121.5-122.5	−0.10	—
Dec.	121.0-123.5	−1.25	—

Sales: 178 (100) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $144.00 (£98.50), down $2.50 (down 50p) a tonne for December-January delivery. White sugar $178.00, down $1.50.

With little fresh fundamental news prices began to struggle to hold pre-weekend levels, reports C. Czarnikow.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Mar	163.8-164.0	164.6-165.0	165.5-162.0
May	167.4-167.6	168.2-168.8	168.2-166.2
Aug	172.4-173.0	173.0-174.0	173.6
Oct	175-8.176.0	177.4-178.0	177.8-175.2

Sales: 1,301 (1,626) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £201.50 (£203.50) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for December 6: Daily price 5.75 (5.70); 15-day average 5.48 (5.45).

PARIS—(FFr per tonne): Mar 1399-1400, May 1419-1422, Aug 1459-1470, Oct 1480-1500, Dec 1505-1525, Mar 1570-1580.

OIL

News that Opec intends to defend its market share sent most crude prices into a slide. Brent lost about a dollar while Nymex February traded around its lowest permissible level of $1.00 down. In the petroleum products market gas oil and naphtha fell heavily on bearish sentiment following the Opec decision. Gasoline went into suspended animation with buyers non-existent and sellers unwilling to push the price downwards. Potential buyers of fuel oil withdrew from the market after today's Opec announcement—Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)—Jan.		
Arab Light	27.80-27.90	−0.05
Arab Heavy	25.75-25.85	−0.05
Dubai	28.60-28.70	−0.475
Brent Blend	27.00-27.50*	−0.975
W.T.I. (1pm est)	27.60-27.70	−1.30
Forcados (Nigeria)	28.20-28.50*	−0.75
Urals (cif NME)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	268-272	−2.5
Gas Oil	246-248	−11.5
Heavy fuel oil	142-145	—
Naphtha	240-242	−4

*December
Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'day's Close	+ or −	Business Done
	$ U.S. per tonne		
Dec	245.50	−12.00	252.00-44.75
Jan	242.25	−12.00	250.25-42.00
Feb	239.00	−10.50	245.00-38.50
Mar	230.25	−8.25	234.25-30.00
Apr	221.00	−9.50	228.25
May	215.00	−7.25	222.00-14.75
June	213.00	−11.00	222.00-13.00
July	212.00	−11.00	221.00-12.00

Turnover: 5,636 (2,048) lots of 100 tonnes.

CRUDE OIL FUTURES—Brent Blend Index. $ a barrel. (Close, change, business done): Index 27.91, +0.12; Jan 26.50-26.70, −1.105, 27.20-26.65; Feb 25.70-25.85, −1.30, 26.20-25.70; Mar 25.00-25.35, −1.275, untraded; April 24.60-25.40, −1.25, untraded; May 24.20-25.20, −1.05, untraded.

Turnover: 21 (62) lots of 1,000 barrels.

RUBBER

PHYSICALS — The London market opened slightly easier, drifted lower on lack of buying interest throughout the day and closed weak, reports Lewis and Peat. Closing prices (buyers), spot 56.00p (55.50p), Jan 53.75p (53.25p), Feb 54.25p (53.75p). The Kuala Lumpur fob price (Malaysia/Singapore cents) per kg RSS No 1 was 175.0 (176.0) and for SMR 20 169.5 (170.5).

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Oil fears hit sterling

Sterling came under a little pressure on the foreign exchanges yesterday, on fears about a sharp fall in world oil prices, and the possible drop in revenue available to the UK authorities next year from North Sea production. The weakness of the pound followed the meeting of ministers from the Organisation of Petroleum Exporting Countries, in Geneva. This resulted in speculation that Opec would maintain production at 18m barrels a day, which is 2m barrels above earlier agreed levels, putting downward pressure on prices, and squeezing non-Opec producers, such as the UK. After an early decline the pound held steady however, and showed little reaction to the Opec communique issued yesterday, mentioning the persistently declining trend in Opec production, and the decision of the conference to secure and defend for Opec a fair share of the world oil market, consistent with the necessary income for member countries' development.

Sterling lost 1.90 cents to close at $1.4580-1.4590, and also fell to DM 3.6975 from DM 3.7300—the lowest level since March—FFr 11.2750 from FFr 11.40; SFr 3.0875 from SFr 3.1125; and Y296.75 from Y300.25. The pound's index, according to the Bank of England, fell to 80.3 from 81.1. It opened at 80.5, the highest level of the day, and was then unchanged at 80.2 from 9 am until the final calculation.

The dollar was firmer in very quiet trading, lacking any fresh news to give the currency direction. Friday's agreement in principle by the US Congress to eliminate the budget deficit by 1991, under the revised Gramm-Rudman bill, lent the currency some support, but the market was thin. The dollar showed no sign of breaking out from the recent trading level of DM 2.50 to DM 2.54, but rose to DM 2.5350 from DM 2.5235; FFr 7.73 from FFr 7.7150; SFr 2.1170 from SFr 2.1065; and Y203.55 from Y203.25.

On Bank of England figures the dollar's index rose to 127.4 from 127.3.

D-MARK — Trading range against the dollar in 1985 is 3.4510 to 2.5110. November average 2.5926. Exchange rate index 129.5 against 121.6 six months ago.

The D-mark weakened against the dollar in thin end of year trading. It was suggested that most operators had already squared positions ahead of the Christmas and end of year period. There were no new factors, as far as the dollar was concerned, but its firmer tone appeared to be the result of a flow of funds out of sterling, after the weekend Opec meeting in Geneva. The pound was fixed at DM 3.6990, the lowest level since March 18. The dollar was fixed at DM 2.5310 in Frankfurt, compared with DM 2.5240 on Friday, without intervention by the Bundesbank. It closed at DM 2.5305, against DM 2.5275 at the previous close, but below the opening level of DM 2.5320. News that West German industrial production rose 1.8 per cent in October, compared with a revised rise for September of 0.6 per cent, after an earlier estimated fall of 0.2 per cent, had no impact. German industrial orders increased by 1.9 per cent in October, after falling 1.8 per cent in September.

£ IN NEW YORK

	Dec. 9	Prev. close
£ Spot	$1.4562-1.4572	$1.4800-1.4810
1 month	0.46-0.43pm	0.43-0.42pm
3 months	1.23-1.20pm	1.20-1.18pm
12 months	3.90-3.80pm	3.80-3.70pm

Forward premiums and discounts apply to the U.S. dollar.

POUND SPOT — FORWARD AGAINST POUND

Dec 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4565-1.4690	1.4580-1.4590	0.46-0.43c pm	3.66	1.23-1.19pm	3.32
Canada	2.0375-2.0467	2.0439-2.0467	0.50-0.41c pm	2.67	1.16-1.02pm	2.13
Nethlnd.	4.15¾-4.17⅛	4.15¾-4.16¾	2⅛-2c pm	6.13	6-5⅞pm	5.59
Belgium	75.07-75.34	75.15-75.25	24-19c pm	3.43	64-55pm	3.16
Denmark	13.35-13.41	13.35-13.36	3-2ore pm	2.25	7¾-6¾pm	2.04
Ireland	1.1962-1.2034	1.1968-1.1979	0.28-0.15p pm	2.15	0.57-0.24pm	1.35
W. Ger.	3.69¼-3.71¼	3.69¾-3.70¾	2⅛-2⅛pf pm	7.30	6⅛-6pm	6.63
Portugal	232-237	232½-237	145-445c dis	−15.08	480-1270d	−14.74
Spain	228-228¾	228-228½	77-120c dis	−5.18	245-380dis	−5.30
Italy	2,510¼-2,523½	2,510¼-2,511¼	15-21lire dis	−8.60	24-31dis	−4.38
Norway	11.14¾-11.18⅞	11.14⅞-11.15⅞	⅞-1ore dis	−0.74	1¾-2⅝dis	−0.76
France	11.26¾-11.30	11.27-11.28	2¾-1½c pm	2.00	4⅞-3⅞pm	1.35
Sweden	11.21-11.25¾	11.21½-11.22½	⅛-1⅛ore dis	−1.14	1⅞-2⅝dis	−0.71
Japan	296¼-297¾	296¾-297¾	1-⅞y pm	3.54	2¾-2⅞pm	3.54
Austria	25.94-26.03	25.98-26.03	11⅞-10¼gro pm	5.10	32½-28¾pm	4.67
Switz.	3.08-3.09¾	3.08¾-3.09¾	2¼-2c pm	8.26	5⅞-5⅞pm	7.37

Belgian rate is for convertible francs. Financial franc 75.45-75.55. Six-month forward dollar 2.30-2.25c pm. 12-month 3.90-3.75c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Dec 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4565-1.4690	1.4580-1.4590	0.46-0.43c pm	3.66	1.23-1.19pm	3.32
Ireland†	1.2178-1.2218	1.2186-1.2193	0.20-0.10c pm	1.47	0.75-0.45pm	1.97
Canada	1.3967-1.3993	1.3984-1.3989	0.10-0.13c dis	−0.99	0.39-0.44dis	−1.19
Nethlnd.	2.8405-2.8555	2.8505-2.8515	0.61-0.58c pm	2.51	1.62-1.59pm	2.25
Belgium	51.40-51.60	51.50-51.60	⅛-1c dis	−0.15	1-3dis	−0.16
Denmark	9.14-9.18¾	9.15½-9.16	⅛-1¼ore dis	−1.15	2⅛-2⅞dis	−1.04
W. Ger.	2.5280-2.5390	2.5345-2.5355	0.82-0.77pf pm	3.77	2.17-2.12pm	3.39
Portugal	159¾-161	159¾-160¾	150-350c dis	−18.72	450-1000d	−18.10
Spain	155.95-156.68	156.20-156.30	90-180c dis	−10.37	250-375dis	−8.00
Italy	1,720½-1,727½	1,721-1,722	12-14½lire dis	−9.23	29-32dis	−7.08
Norway	7.62¾-7.65	7.64-7.64½	2⅞-3ore dis	−4.32	7⅞-8dis	−4.05
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 51.70-51.80.

CURRENCY MOVEMENTS

Dec. 9	Bank of England Index	Morgan Guaranty Changes %
Sterling	80.3	−10.5
U.S. dollar	127.4	+16.5
Canadian dollar	81.1	−11.3
Austrian schilling	120.5	+3.7
Belgian franc	92.5	−10.1
Danish Kroner	83.1	−2.8
Deutsche mark	129.5	+10.8
Swiss franc	[illegible]	+12.8
Guilder	[illegible]	[illegible]
French franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

CURRENCY RATES

[illegible]

* CS/SDR rate for Dec 6: 1.52153.

EURO-CURRENCY INTEREST RATES

Dec. 9	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U.S. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	1⅞-2⅛	1½-1¾	4⅛-4⅜	4-4⅛	4-4⅛	4⅛-4¼
Deutschmrk	4⅝-4¾	4⅝-4¾	4¾-4⅞	4⅞-4⅞	4⅞-4⅞	4⅞-5
Fr. Franc	8⅞-9	9¼-9½	10⅜-10⅝	11¼-11½	11⅝-11⅞	11¼-11¾
Italian Lira	20-35	23-28	18½-20	16½-17¼	15¾-16¼	15-15½
B.Fr.(Fin)	8⅝-8⅞	8⅛-8¾	8⅞-8⅞	8⅞-8⅞	8⅞-8⅞	8⅞-8⅞
B.Fr.(Con)	8⅝-8⅞	8½-8¾	8⅞-8⅞	8⅞-8⅞	8⅞-8⅞	8⅝-8⅞
Yen	8⅝-8¾	8½-8⅝	8⅝ 8½	7⅞ 8	7⅞-7⅞	7⅞-7⅞
D. Krone	9-9½	9⅛-9⅝	9⅞-9⅞	9¼-9¾	9¼-9¾	9¼-9¾
Asian $ (Sng)	8⅛-8¼	8⅞-8⅞	8⅞-8⅞	8⅛-8¼	8⅛-8¼	8⅞-8⅞

Long-term Eurodollars: two years 8¾-9 per cent: three years 9¼-9½ per cent: four years 9½-9¾ per cent: five years 9⅞-9⅞ per cent nominal. Short-term rates are call for US dollars and Japanese yen; others two days' notice.

OTHER CURRENCIES

[illegible]

STERLING INDEX

	Dec 9	Previous
8.30 am	80.5	80.8
9.00 am	80.3	80.8
10.00 am	80.3	80.8
11.00 am	80.2	80.9
Noon	80.2	80.9
1.00 pm	80.2	81.0
2.00 pm	80.2	80.9
3.00 pm	80.2	80.9
4.00 pm	80.3	81.1

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu December 9	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.8320	44.7736	−0.13	+0.90	±1.5425
Danish Krone	8.12857	7.96507	−2.01	−0.98	±1.6421
German D-mark	2.23840	2.20238	−1.61	−0.58	±1.1455
French Franc	6.86402	6.71778	−2.13	−1.10	±1.3654
Dutch Guilder	2.52208	2.47978	−1.68	−0.65	±1.5162
Irish Punt	0.724578	0.712570	−1.66	−0.63	±1.6673
Italian Lira	1520.60	1499.27	−1.40	−1.21	±4.0856

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FUTURES AND OPTIONS

Nervous trading

Prices showed mixed changes in the London International Financial Futures Exchange yesterday. Current problems within Opec and the possibility of an unstable price structure tended to overshadow the market. Initial reactions produced a spate of selling in sterling based instruments but judging by the extent of later support, this was somewhat overdone. Buying later in the day was boosted by renewed demand for US bonds after the start of trading in Chicago and gilt futures finished towards the day's highs although still down from Friday.

US bond futures were helped by a slightly lower Fed funds rate, the latter slipping to below 8 per cent. After a quiet start trading picked up during the afternoon and prices finished close to the day's highs. Trading was a little lacklustre, however, with the proximity of Christmas already having an influence. Trading was also inhibited to some extent ahead of the release, later this week, of several US economic statistics which include producer prices and industrial production.

Three-month sterling deposits opened weaker at 88.88 for March delivery, following sterling's weaker trend. The opening level proved to be the day's high but after touching a low of 88.79 the price recovered to finish at 88.87 still down from 88.97 on Friday.

Euro-dollar prices were firmer, helped by a stronger tone in Singapore and softer cash rates. Sentiment was also influenced by hopes that legislation would soon be passed leading to removal of the US budget deficit. After opening at 91.86, the March price attracted one or two profit takers but met strong resistance at 91.85 and improved to finish at 91.90 up from 91.81.

FT-SE prices were a little lower following a small decline in equity prices. The December contract opened at 140.20 down from 140.80 and closed at 139.70.

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4585	1.4541	1.4465	1.4358	1.4203

IMM—STERLING $s per £

	Latest	High	Low	Prev
Dec	1.4585	1.4630	1.4555	1.4800
March	1.4465	1.4510	1.4440	1.4685
June	1.4360	1.4450	1.4360	1.4585
Sept	1.4300	1.4300	1.4300	1.4515
Dec	—	—	—	1.4465

LIFFE—STERLING £25,000 $ per £

[illegible]

LIFFE—DEUTSCHE MARKS DM 125,000 $ per DM

[illegible]

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

[illegible]

10% NOTIONAL SHORT GILT £100,000 64ths of 100%

[illegible]

THREE-MONTH STERLING £500,000 points of 100%

[illegible]

FT-SE 100 INDEX £25 per full index point

[illegible]

THREE-MONTH EURODOLLAR $1m points of 100%

[illegible]

LIFFE—EURODOLLAR OPTIONS $1m points of 100%

[illegible]

LIFFE £/$ OPTIONS £25,000 (cents per £1)

[illegible]

LONDON SE £/$ OPTIONS £12,500 (cents per £1)

[illegible]

PHILADELPHIA SE £/$ OPTIONS £12,500 (cents per £1)

[illegible]

US TREASURY BONDS 8% $100,000 32nds of 100%

[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

[illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100%

[illegible]

CERT. DEPOSIT (IMM) $1m points of 100%

[illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

MONEY MARKETS

Firmer trend as pound weakens

Interest rates were marked up in London yesterday in reaction to sterling's fall in currency markets. The pound attracted sellers amid speculation that oil prices could fall. This proved to be another blow for those who had been hoping for an early cut in clearing bank rates. Three-month interbank money edged up to 11⅝-11¾ per cent from 11⁹⁄₁₆-11¹¹⁄₁₆ per cent while three-month sterling CDs rose to 11½-11⅝ per cent from 11⁷⁄₁₆-11⁹⁄₁₆ per cent. Three-month eligible bank bills stayed around official intervention rates at 11⁷⁄₁₆ per cent, unchanged from Friday. Overnight interbank money opened at 11½-11¾ per cent and rose to 12¼ per cent before slipping back to around 11½ per cent.

The Bank of England forecast a shortage of around £1,000m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £741m and a maturing gilt repurchase facility a further £814m. In addition banks brought forward balances £90m below target. These were partly offset by Exchequer transactions which added £330m and a fall in the note circulation of £315m.

The forecast was later revised to a shortage of around £1,050m and the Bank gave assistance in the morning of £401m through outright purchases of £167m of eligible bank bills in band 2 at 11⁷⁄₁₆ per cent and £60m in band 3 at 11⅜ per cent. In band 4 it bought £25m of local authority bills and £149m of eligible bank bills all at 11⁵⁄₁₆ per cent. In the afternoon the Bank gave additional assistance of £478m comprising purchases of £7m of local authority bills and £8m of eligible bank bills at 11½ per cent in band 1 and £214m of eligible bank bills in band 2 at 11⁷⁄₁₆ per cent. In band 3 it bought £5m of Treasury bills and £62m of eligible bank bills all at 11⅜ per cent and in band 4 £22m of Treasury bills, £40m of local authority bills and £120m of eligible bank bills all at 11⁵⁄₁₆ per cent.

Late assistance came to £115m, making a total of £994m.

In Frankfurt, the Bundesbank announced its intention to offer a new repurchase facility over a 35-day period at a rate of 4.5 per cent. Funds will be credited to banks tomorrow and the amount allocated is expected to offset some £8.9bn of maturing facility. Call money was quoted at 4.50-4.60 per cent, compared with 4.55-4.65 per cent on Friday.

UK clearing banks base lending rate 11½ per cent since July 30

NEW YORK RATES

(Lunchtime)

Prime rate	9½
Broker loan rate	9
Fed funds	8
Fed funds at intervention	8
Treasury Bills & Bonds	
One-month	6.06
Two-month	7.26
Three-month	7.43
Six-month	7.64
One-year	7.80
Two-year	8.36
Three-year	8.58
Four-year	8.87
Five-year	9.03
Seven-year	9.35
10-year	9.49
30-year	9.78

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec. 9)

Three months U.S. dollars		Six months U.S. dollars	
bid 8 1/8	offer 8 1/4	bid 8 1/8	offer 8 1/4

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

Dec. 9	Ov'r nig't	One Month	Two Months	Three Months	Six Months	Lombard Inr'v'ntion
Frankfurt	4.5-4.6	4.75-4.90	4.75-4.90	4.75-4.85	4.75-4.90	5.5
Paris	8⅞	8⅞-8⅞	8⅞-8⅞	8⅞-8⅞	8⅞-9⅛	8¾
Zurich	⅞-1⅛	4-4⅛	—	4-4⅛	—	—
Amsterdam	5⅛-5⅜	5⅞-5⅞	—	5⅞-5⅞	—	—
Tokyo	8.40625	8.34375	—	7.90625	—	—
Milan	15⅝-15	15-15½	—	14⅝-15	—	—
Brussels	8.70	8⅛-8⅝	—	8⅞-8⅞	—	—
Dublin	—	10-10¼	10⅞-10⅞	10⅞-10⅞	10⅞-10⅞	—

LONDON MONEY RATES

Dec. 9	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	11⅛-12¼	11⁷⁄₁₆-11¹¹⁄₁₆	11⅝-11¾	11⅝-11¾	11½-11⅞	11⁷⁄₁₆-11⁹⁄₁₆
Sterling CDs	—	—	11⅝-11¾	11½-11⅝	11⅜-11½	11⁵⁄₁₆-11⁷⁄₁₆
Local Authority Depos	11½	11⅜-11½	11⅝	11⅝	11½	11⅜
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Depos	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Depos	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Depos	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Depos	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Depos	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month [illegible] per cent; three-months [illegible] per cent. Bank Bills (sell): one-month [illegible] per cent; three-months [illegible] per cent. Treasury Bills: Average tender rate of discount 11.1095 per cent. ECGD Fixed Finance Scheme IV reference rate November 6 to December 3 (inclusive): 11.612 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12 per cent from December 1, 1985. Bank Deposit Rates for sums at seven days' notice 6.25-6.625 per cent (nil). Certificates of Tax Deposits (Series 6): Deposits £100,000 and over held under one month 11½ per cent; one-three months 11½ per cent; three-six months 11½ per cent; six-nine months 11½ per cent; nine-12 months 11½ per cent. Under £100,000 10½ per cent from November 29. Deposits held under Series 5 11¾ per cent. Deposits withdrawn for cash 7½ per cent.

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on December 2, 1985. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate; (u) unified rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.00
Albania	Lek	9.93
Algeria	Dinar	(A)7.03
Andorra	French Franc	11.2750
	Spanish Peseta	228.25
Angola	Kwanza	43.9480
Antigua	E. Caribbean $	3.94
Argentina	Austral	1.1706
[illegible]	[illegible]	[illegible]
Greenland	Danish Kroner	13.3550
Grenada	E. Caribbean $	3.94
Guadaloupe	Local Franc	11.2750
Guam	U.S. $	1.4585
Guatemala	Quetzal	1.4585
Guinea	Syli	33.08
Guinea-Bissau	Peso	248.90
Guyana	Guyanese $	6.1300
[illegible]	[illegible]	[illegible]
Peru	Sol	exc(A) 24,885.8
Philippines	Philippine Peso	26.20
Pitcairn Islands	£ Sterling	—
	New Zealand $	2.5855
Poland	Zloty	217.48
Portugal	Portuguese Escudo	234.75
[illegible]	[illegible]	[illegible]

§ Rate is the transfer market (controlled). §§ Now one official rate. (1) Essential goods. (2) Preferential rate for priority imports such as foodstuffs. (3) Preferential rate for public sector debt and essential imports. (5) Preferential rate. (6) Free rate for luxury imports, remittances of money abroad and foreign travel. (7) Parallel rate. (9) Banknote rates. (10) Rate for exports. (14) Nearly all business transactions.

LONDON SHARE SERVICE

BRITISH FUNDS

1985 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
101⅜	99⅛	Exch 11¼pc '86	99[illegible]	–	11.76	11.65
99[illegible]	96¼	Treas. 10pcCnv 1986	99[illegible]	–[illegible]	10.05	11.50
96[illegible]	92¾	Treas 3pc 1986	96[illegible]	+[illegible]	3.10	11.08
100	97½	Exch. 10½pc 1986	99⅝	–[illegible]	10.54	11.43
101⅞	99¼	Treas 12pc 1986	100¼xd	–[illegible]	11.97	11.51
98[illegible]	94¼	Treas 8½pc 1984-86‡‡	98[illegible]xd	–⅛	8.62	11.28
105[illegible]	102⅛	Exch. 14pc 1986	102⅛	–⅛	13.71	11.33
94[illegible]	87¼	Exch. 2½pc 1986	94[illegible]	....	2.64	8.29
104[illegible]	101[illegible]	Exch. 13¼pc 1987	101[illegible]	–[illegible]	13.03	11.45
99[illegible]	96⅝	Treas 10¼pcCv '87	98¾	–⅛	10.38	11.32
93⅛	85½	Exch 2½pc 1987	92⅞	–[illegible]	2.69	8.81
100[illegible]	96¾	Exch. 10½pc 1987	99[illegible]	–⅛	10.60	11.24
95[illegible]	89	Funding 6½pc '85-87‡‡	94[illegible]	–[illegible]	6.86	10.61
99[illegible]	95½	Treas. 10pc 1987	98[illegible]xd	–⅛	10.17	11.26
91¼	84¼	Treas 3pc 1987	91⅛xd	–⅛	3.28	8.96
102[illegible]	99⅛	Treas. 12pc 1987	101⅛	–[illegible]	11.84	11.15
95[illegible]	90¼	Treas 7¾pc 1985-88‡‡	94[illegible]	–[illegible]	8.24	10.91
100[illegible]	95⅛	Exch 10½pc '88	98[illegible]	–[illegible]	10.62	11.04
98⅝	93⅛	Treas 9¾pc Cv '88	97[illegible]xd	–⅛	10.05	11.13
87[illegible]	80	Transport 3pc '78-88	87⅛xd	–⅛	3.43	8.62
97⅛	91½	Treas 9½pc '88	96[illegible]	–⅛	9.89	11.12
102¼	97½	Treas 11½pc 1989	101[illegible]	–[illegible]	11.38	11.05
97[illegible]	90¼	Treas 9½pc Cnv. '89	95⅝	–⅛	9.93	11.09
84⅛	79	Treas 3pc 1989	83[illegible]	–[illegible]	3.57	8.50
99⅞	94	Treas 10½pc 1989	98½xd	–⅛	10.66	11.03
98⅛	92	Exch 10pc 1989	96¾	–[illegible]	10.34	11.09
101[illegible]	95	Exch 11pc 1989	99⅞	–[illegible]	11.01	11.06
86⅛	79	Treas 5pc 1986-89	85⅞	–[illegible]	5.82	9.46
40⅛	39½	Exch 10¼pcCv '89 (£40pd)	39⅞	–[illegible]	10.49	10.81
108[illegible]	103⅛	Treas 13pc 1990‡‡	106[illegible]xd	–[illegible]	12.19	10.95
101⅛	96[illegible]	Exch 11pc 1990‡‡	99[illegible]	–⅛	11.01	10.98
109¼	100¼	Exch. 12½pc 1990	105[illegible]	–⅛	11.88	10.94
81[illegible]	75¼	Treas. 3pc 1990	80[illegible]	–[illegible]	3.71	8.24
93⅛	87⅛	Treas 8¼pc 1987-90‡‡	91¼xd	–⅛	8.99	10.60
101⅛	91⅞	Treas. 10pcCv 1990	96⅛	–⅛	10.38	10.97
		Five to Fifteen Years				
108⅛	97⅛	Treas 11¾pc 1991	101⅞xd	–⅛	11.43	11.01
87⅞	80	Funding 5¾pc '87-91‡‡	86⅞	–⅛	6.70	9.17
105⅛	95	Exch. 11pc 1991	101⅛	–⅛	10.99	10.96
113⅛	101⅛	Treas 12¾pc 1992‡‡	112⅛	–⅛	11.85	10.99
100	88⅝	Treas 10pc 1992	99	–⅛	10.42	10.89
104	94⅛	Treas 10½pc Cv 1992‡‡	99	–⅛	10.71	10.93
110⅛	98⅛	Exch 12¼pc '92	109⅛	–⅛	11.61	11.04
117⅛	105	Exch 13½pc 1992	114⅛	–⅛	12.11	11.04
113⅛	101⅛	Treas 12½pc 1993‡‡	106⅛xd	–⅛	11.58	10.95
83½	74⅞	Funding 6pc 1993‡‡	82⅞	–⅛	7.36	9.41
121⅛	109⅛	Treas 13¾pc 1993‡‡	114⅛	–⅛	12.06	11.06
125⅛	111⅛	Treas 14½pc 1994‡‡	122⅛	–⅛	12.21	10.97
119⅛	108⅛	Exch 13½pc 1994	114½	–⅛	11.96	11.09
113⅛	100⅛	Exch. 12½pc 1994	111⅛	–⅛	11.59	11.06
95⅛	86⅛	Treas 9pc 1994‡‡	90⅞	–⅛	9.96	10.71
110⅞	98⅛	Treas 12pc 1995	109⅞	–⅛	11.39	11.04
71½	62⅛	Gas 3pc '90-95	70		4.30	7.57
100⅛	89⅞	Exch. 10¼pc 1995	99⅛	–⅛	10.70	10.97
118⅛	106⅛	Treas 12¾pc 1995‡‡	111⅛	–⅛	11.54	10.98
123⅛	110⅛	Treas. 14pc '96	122⅞	–⅛	11.92	11.07
94⅛	84½	Treas 9pc 1992-96‡‡	92	–⅛	10.01	10.64
134⅛	121⅛	Treas 15¼pc 1996‡‡	127⅛	–⅛	12.14	11.05
122⅛	110⅛	Exch 13¼pc 1996‡‡	115½	–⅛	11.57	10.89

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ¥ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	102	....
Craig & Rose £1	800	....
Finlay Pkg. 5p	46	−5
Holt (Jos) 25p	710	....
IoM Stm. £1	70	....
IRISH		
Fund 11¾% 1988	£100⅝	....
Nat. 9¾% 84/89	£95⅜	....
Fin. 13% 97/02	£105⅝	+⅛
Arnotts	225	−2
CPI Hldgs.	59xd	−1
Carroll Inds.	153	+3
Dublin Gas	75	....
Hall (R. & H.)	55	−1
Heiton Hldgs.	29½	....
Irish Ropes	45	....
Unidare	230	....

"Recent Issues" and "Rights" Page 42
(International Edition Page 38)

LONDON STOCK EXCHANGE

MARKET REPORT

Concern over oil prices and Cable and Wireless unsettles equity market

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Nov 11	Nov 21	Nov 22	Dec 2
Nov 25	Dec 5	Dec 6	Dec 16
Dec 9	Dec 19	Dec 20	Jan 6

* "New-time" dealings may take place from 9.30 am two business days earlier.

Worries that OPEC attempts to protect its market share could be at the expense of oil prices made for nervous conditions in London financial markets yesterday. Sterling fell sharply against the dollar in foreign exchange markets and stock markets were not too long in following the downturn. Weekend Press doubts over the equity market's ability to sustain the bull phase were a restraint and for the first session of a new trading Account investors were unusually cautious.

Attention initially focussed on Imperial Group following Friday's surprise late offer from Hanson Trust, but it was soon diverted to Cable and Wireless. The latter's price came perilously close to 587p, the level at which the pending offer-for-sale of the Government's remaining holding in the group is underwritten, before recovering. Later, however, Cable and Wireless weakened afresh to close 13 down at 593p, after 590p. Applications for the new partly-paid shares of C and W must be lodged by 10 am tomorrow.

Hopes of a US counter to the Hanson offer sent Imperial above the value of the bid but after rising to 271p the price eased back to close 6 higher on balance at 264p. Hanson maintained a firm profile to end 6 up at 211p but, on the likelihood of the proposed merger with Imperial being abandoned, United Biscuits ran back 14 more to 237p. Bowater and Coats Patons which were recently considered to be prime targets for Hanson, also reacted; Bowater settled 20 down at 320p and Coats Patons 8 off at 159p.

Reflecting the general decline in equity values, the FT-SE 100 share index was showing a further fall of twelve points at 1 pm. It subsequently steadied following another sparkling Wall Street opening yesterday but still closed a net 9.7 down on the session at 1,392.2. Supported by the combined strength of constituents Imperial, Hanson and in particular Boots, the FT Ordinary share index fell only 2.2 to 1,115.4; the three stocks added around 6¼ points to the index.

Gilt-edged securities were again affected by the exchange rate. Business was sporadic with operators generally content to await today's banking statistics although the importance of sterling M3 has recently diminished; a further increase of about one per cent is forecast by market analysts. At the close, longer-dated stocks showed falls ranging to ⅛, while the shorts were around ⅛ lower.

Wagon Finance, the hire purchase concern in which MAI and Hambros hold near-14 per cent stakes, responded to persistent speculative support and closed 15 to the good at a 1985 peak of 136p. Elsewhere in the banking sector, Smith St Aubyn gained 2 to 39p on Press speculation of an imminent 44p per share cash offer from New York bankers Irving Trust.

Insurances were quietly dull. Life issues fell away with Abbey Life 7 off at 194p amid vague rumours of a Boardroom rift. London and Manchester dipped 10 to 855p and Prudential 15 to 765p. Among Composites, Commercial Union eased 5 to 219p.

Press comment stimulated fresh demand for recently-issued J. S. Pathology which rose 30 to 232p.

Engineering group Monks and Crane staged a quiet debut in the Unlisted Securities Market and closed at 80p compared with the placing price of 77p.

Recent enthusiasm for Breweries subsided and the leaders were generally content to drift in extremely quiet trading. Bass, a lively market last week following the excellent preliminary figures, encountered sporadic profit-taking and fell 15 to 660p. Among Regionals, Wolverhampton and Dudley hardened a penny to 378p, after 380p, after revealing better-than-anticipated full-year profits. Vaux, annual results expected today, rose 3 to 375p.

Among Buildings, French Kier attracted support on speculation about an increased offer from C. H. Beazer and rose 9 to 264p, while Thomson T-Line Caravans, which spurted 37 on Friday following Diamond Limited's acquisition of a 61.5 per cent stake at 50p per share, gained a further 20 to 105p. Elsewhere, Press comment recommending a switch from recent high flyer British Benzol into Derek Crouch left the former 12 down at 40p and lifted the latter 8 to 120p.

ICI responded to revived domestic buying interest and rose 13 to 717p. Elsewhere in the Chemical sector, James Halstead continued to reflect the chairman's confident statement and firmed 4 afresh to 120p. R. H. Morley gained the turn to 34p in reply to the increased half-year profits.

Blacks Leisure up

Leading Retailers opened on a slightly dull note but the slide was arrested by the publication of November's provisional retail sales. A number of noteworthy gains emerged among secondary Stores. Blacks Leisure benefited from favourable Press comment, and with the additional aid of "call" option business, advanced 3½ to 15p. Tern attracted buyers and rose 4 to 50p, after 53p, as did Ellis and Goldstein, finally 5½ to the good at a 1985 peak of 80p.

Press speculation that GEC could launch its proposed 160p per share bid for Plessey prompted profit-taking in the latter which closed 6 down on balance at 176p; GEC softened a couple of pence to 172p. Racal dropped 8 to 158p in reaction to adverse comment, while Thorn EMI gave up 6 at 411p. British Telecom cheapened 3 to 195p ahead of Thursday's interim results. Secondary Electricals were featured by a late fall of 11 in Chloride to 33p following news of the interim dividend omission, first-half profits setback and bearish remarks concerning the company's second-half prospects. USM-quoted Northamber, however, jumped 20 to 235p on Press comment, while Thermal Scientific also reflected an investment recommendation with a rise of 30 to 390p. Persistent speculative buying lifted Real Time Control 18 to 73p, while improvements of 8 and 11 respectively were seen in Rotaflex, 170p, and Oxford Instruments 406p.

The Engineering leaders drifted lower, GKN easing 4 to 249p and Hawker 6 to 435p. Vickers, a rising market recently on compensation hopes, ran back 8 to 290p. Elsewhere, Deritend, reflecting demand ahead of tomorrow's interim figures, advanced 10 to 205p, while Spear and Jackson, awaiting further developments in the bid situation, firmed 6 to 246p. Speculative demand left Noble and Lund 8 to the good at 62p. Wire and Plastic, in contrast, still reflecting the Saatchi and Saatchi stake, rose 13 to 316p.

United Biscuits apart, losses among the Food majors were minimal. Elsewhere, newsletter comment stimulated further buying interest in Watson and Philip which gained 14 to 157p; the annual results are due on December 17. A flurry of speculative buying lifted Basset 15 to 163pxd. Hazlewood fell to 750p following the interim results and accompanying acquisition of snacks group Bard for £9m, but a subsequent rally left the close only 13 lower on the day at 780p.

Boots feature

Newspaper comment highlighting bid possibilities prompted both domestic and overseas demand for Boots which closed 20 up at the day's best of 263p. Beecham, down to 332p initially, rallied to close only 2 cheaper on balance at 338p; Unilever has recently been mentioned as a possible predator. Trafalgar House remained a dull market at 352p xd, down 7, while Pilkington Bros. ran back a similar amount to 308p awaiting Thursday's interim statement. Elsewhere, R. Kelvin Watson, up 21 on Friday following news of a bid approach, met selling and fell away to close 40 lower at 205p. Tiphook, in contrast, responded to good interim figures with a rise of 9 to 130p, the encouraging statement on prospects, which accompanied the half-year results, prompted a rise of 13 to 163p in Vinten. West's Group International, 3 higher at 87p, and Dobson Park, 5¼ to the good at 86p, also reflected trading statements. Revived speculative demand lifted European Ferries 6 to 143½p, but Metal Closures fell to 143p before rallying to a close a net penny up at 152p. Bogod Pelepah "A", reflecting recent board appointments, closed 4 dearer at 27p, after 30p.

Piccadilly Radio gained 4 to 28p, after 29p, following newsletter comment, while Greenwich Cable rose a like amount to 22p on news that the company had joined the consortium to promote the 1986 Bolshoi Ballet tour. Revived demand in a restricted market lifted Spectrum 7 to 25p, while buying ahead of the results, due shortly, left Owners Abroad 1¼ dearer at 23½p.

Paper/Printings traded irregularly. McCorquodale, 4 off at 141p, and envelope manufacturers Chapman Industries, 10 lower at 212p, both lost ground awaiting today's respective preliminary and interim results. Associated Paper, on the other hand, improved a few pence to 223p in front of tomorrow's annual figures. Revived speculative support lifted Cradley 6 to 57p. Among advertising issues, Osprey Communications dipped 10 to 53p on the interim profits setback.

The Property leaders failed to capitalise on Friday's better showing and closed a shade easier for choice. Stock Conversion closed 5 cheaper at 540p following the interim results, but Stockley, a major shareholder in Stock Conversion, added 2 to 71p, folowing Press suggestions that the two groups are close to merging. Elsewhere, profit-taking in the absence of any news regarding Yelverton's holding saw Southend Stadium react to 88p, however, the announcement that Ferrier-Lullin had acquired an 8.6 per stake in the company encouraged small buying which left the close at 90p, down 4 on balance.

Among Toboccos Bats rose 5 to 283p as brokers de Zoete and Bevan reiterated its "buy" recommendation following a visit to the company's Souza Cruz subsidiary in Brazil. Rothman's also hardened 5, to 133p.

Oil retreat

Development at the OPEC meeting held in Geneva over the weekend brought about intense pressure on North Sea oil prices and prompted widespread losses throughout the oil sector. The leaders fell sharply in mid-morning before steadying in the after-hours trade. Nevertheless, BP posted a 10 fall at 545p, after 540p, while Shell gave up a like amount to 635p. Britoil settled 9 off at 216p, Tricentrol 5 down at 140p and Enterprise 3 cheaper at 154p. LASMO initially retreated to 223p before a flurry of bid rumours boosted the shares to 238p; subsequent profit-taking left the quotation a net 4 up at 232p.

Golds lower

A marked deterioration in sentiment in the bullion market unsettled all the major areas of mining markets. South African Golds opened easier and gradually gave ground throughout the session as the bullion price dipped to close a net $5 down at $317.75 an ounce—its lowest closing level since mid-September.

FINANCIAL TIMES STOCK INDICES

	Dec. 9	Dec. 6	Dec. 5	Dec. 4	Dec. 3	Dec. 2	year ago
Government Secs	83.14	83.35	83.43	83.79	83.56	83.96	85.29
Fixed Interest	88.84	89.07	89.18	89.33	89.18	89.38	86.11
Ordinary ♥	1115.4	1117.6	1110.4	1115.8	1128.3	1124.4	930.3
Gold Mines	268.3	276.8	277.6	276.3	270.6	272.7	532.3
Ord. Div. Yield	4.43	4.42	4.44	4.41	4.37	4.36	4.63
Earnings, Yld. % (full)	10.98	10.96	11.02	10.96	10.85	10.84	11.82
P/E Ratio (net) (*)	11.22	11.24	11.20	11.26	11.36	11.38	10.15
Total bargains (Est.	27,943	30,097	28,336	24,219	31,255	26,864	24,882
Equity turnover £m.	—	637.62	666.88	745.74	569.54	477.63	352.28
Equity bargains	—	36,078	33,453	23,356	24,763	24,864	26,759
Shares traded (ml)	—	307.5	319.1	342.8	274.3	220.7	216.8

♥ 10 am 1117.8. 11 am 1115.1. Noon 1114.1. 1 pm 1112.9. 2 pm 1113.1. 3 pm 1114.0. 4 pm 1114.7.

Day's High 1119.8. Day's Low 1112.9.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

Nil=10.81.

HIGHS AND LOWS

—	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	84.57 (18/10)	78.03 (28/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	90.38 (23/10)	82.17 (28/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1146.9 (25/11)	911.0 (25/7)	1146.9 (25/11/85)	49.4 (26/6/40)
Gold Mines	536.9 (15/4)	217.6 (8/11)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY INDICES

	Dec. 6	Dec. 5
Daily Gilt Edged Bargains	133.8	149.1
Equities Bargains	233.8	216.8
Equities Value	1288.8	1347.8
5 day Average Gilt Edged Bargains	144.0	144.9
Equities Bargains	184.7	167.1
Equities Value	126 .1	1192.6

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	101	7
Corpns. Dom. and Foreign Bonds	3	33	46
Industrials	327	469	698
Fin. and Props.	81	147	338
Oils	15	29	82
Plantations	3	1	14
Mines	17	72	96
Others	66	91	93
Totals	513	243	1,372

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (54)

BRITISH FUNDS (1)
Treas. 3pc 1986
FOREIGN BONDS (1)
Ireland 9¾pc '91-96
AMERICANS (2)
Ahmanson (H. F.) Woolworth
BANKS (2)
Banco de Santander Wagon Finance
BUILDINGS (8)
Berkeley Group Helical Bar
Cement-Roadstone Miller (Stanley)
Crouch (D.) Nottingham Brick
French Kier Ramus
CHEMICALS (1)
Halstead (J.)
STORES (5)
Ellis & Goldstein Ramar Textiles
Kent (John) S. & U. Stores
Moss Bros.
ELECTRICALS (4)
First Castle Oxford Instruments
Northamber Thermal Scientific
ENGINEERING (6)
Baker Perkins Martonair
Camford Eng. Noble & Lund
Deritend W A Hldgs.
FOODS (3)
Assoc. Fisheries Watson Philip
Park Food
HOTELS (2)
Queens Moat 7pc Cnv. Prf. Inn Leisure
INDUSTRIALS (5)
Bodycote Intl. Tiphook
Bogod-Pelepah A Unigroup
Spear (J. W.)
LEISURE (4)
Anglia TV A Piccadilly Radio N-V
Campari Intl. Zetters
MOTORS (1)
Perry Group
PAPER (3)
Assoc. Paper Trade Promotion
Cradley Print
PROPERTY (4)
Caparo Props. Lond. Shop Prop.
Dencora Trencherwood
TOBACCOS (1)
Imperial Group
TRUSTS (1)
General Funds Cnv.

NEW LOWS (43)

BRITISH FUNDS (3)
Exchqr. 14pc 1986 Exchqr. 10¼pc Cnv.
Exchqr. 13¼pc 1987 1989 (£40 paid)
CANADIANS (1)
Trans. Can. Pipe
BANKS (1)
ANZ
BUILDINGS (1)
Wettern Bros.
STORES (1)
Bedford (Wm.)
ELECTRICALS (2)
Belgin (A. F.) A Quest Automation
INDUSTRIALS (11)
Caparo Inds. 8pc Cnv. Prf. Morris (Wm) Fine Art
Chamberlain Phipps Peek Hldgs.
Hartons Ropner
Henara Do.-A
Lond. & Northern Somic
Spong
INSURANCE (1)
Abbey Life
LEISURE (1)
Juliana's Hldgs.
MOTORS (1)
BL
PAPER (5)
Aldcom Intl. Moorgate Group
Chapman Inds. Osprey Comms.
McCorquodale
PROPERTY (2)
Control Securities Lond. Provl. Shop
SHIPPING (1)
Mersey Dock Units
TEXTILES (2)
Corah Debron Invs.
TRUSTS (4)
Viking Resources Nevi Baltic 7pc Cnv. Red. Pr.
Wemyss Inv.
Parambe
OILS (1)
Petranol
PLANTATIONS (1)
Rowe Evans Inv.
MINES (4)
Cultus Pacific Kitchener
Emperor Mines Metals Exploration

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or −	Net Div.	Times covered	Gross Yield	P.E. Ratio
180	F.P.	—	213	195	Abbott MeadVickers	200	−3	bg2.8	3.5	2.0	20.5
135	F.P.	—	195	185	Ashley (Laura) 5p	192	−2	bg1.39	3.1	1.4	32.8
§66	F.P.	—	87	86	‡Chart.Foulks Lynch	86	−1	bg3.0	1.9	5.0	15.
§110	F.P.	18/12	134	124	‡CheshireW'foods 5p	126	+1	bg3.65	2.0	4.1	14.9
$1/71p	F.P.	—	69	66	China&Eastn.Inv $0.50	67	.....	—	—	—	—
—	F.P.	—	21½	16	Do. Warrants	20	.....	—	—	—	—
§90	F.P.	5/11	122	98	‡Colorgen Inc. $0.01	107	−1	—	—	—	—
—	—	—	28½	27	Cont'l A'sets Wa'rants	27	.....	—	—	—	—
§88	F.P.	8/11	96	85	‡Cowells	85	−3	bg2.6	2.6	4.4	12.4
§95	F.P.	—	100	97	‡Cranswick Mill 10p	100	.....	bg5.37	2.2	7.6	8.6
§74	F.P.	—	81	71	‡Crusts 5p	81	+6	bg0.7	9.6	1.2	5.7
§128	F.P.	—	135	130	‡Dialene	133	.....	u4.9	2.5	5.3	8.7
95	F.P.	20/12	109	99	‡Ealing Electro. 5p	99	−1	bg2.2	4.3	3.2	8.4
100	50	26/2	49½	49	German Sec. Inv. £1†	49	.....	—	—	—	—
§72	F.P.	29/11	75	65	‡Gibbon Lyons 10p	70	.....	bd35.2	—	7.3	12.8
§57	F.P.	11/12	67	60	‡Hampden Home 10p	64	−1	bg1.5	2.9	3.3	15.5
55	F.P.	20/12	54	51	INOCO 10p	51	.....	—	—	—	—
190	F.P.	10/1	206	170	Intl. City Hldgs	175	.....	u9.0	2.2	7.3	7.2
§160	F.P.	—	232	170	‡J S Pathology 10p	232	+30	bg3.5	2.7	2.2	24.3
114	F.P.	10/1	113	97	‡Magnetic Materials	103	.....	u2.8	3.1	3.8	9.5
§90	F.P.	22/11	98	91	‡Martin (Ronald) 10p	95	.....	bg3.27	2.2	4.9	12.9
§67	F.P.	22/11	72	67	‡Metsec 10p	69	.....	bg24.6	—	5.1	11.5
§160	F.P.	20/12	168	165	‡Millward Brown	165	.....	bg2.5	3.5	2.2	19.0
§77	F.P.	—	80	79	‡Monks & Crane 10p	80	.....	bg2.7	2.7	4.8	11.0
125	F.P.	18/12	145	128	SPP 10p	143	.....	bg4.75	2.3	4.7	14.0
§175	F.P.	22/11	192	170	‡Shandwick 2p	170	.....	u3.68	—	3.1	21.1
§97	F.P.	10/1	106	101	‡Snowdon & Bridge	104	.....	bg2.75	3.0	3.8	12.8
§57	F.P.	6/1	74	65	‡SterlingPublish'g5p	70	.....	b2.0	1.9	4.1	18.5
100	F.P.	22/11	100	97	Strata Invs	98	.....	—	—	—	—
—	—	—	32	29	Do. Warrants	30	.....	—	—	—	—
§118	F.P.	20/12	128	119	‡TMD Advertising 5p	122	.....	ug1.66	3.3	1.9	22.1
§130	F.P.	—	200	167	‡Tech. Compt. Inds.	200	+8	bg3.0	2.6	2.1	25.4
¶180	F.P.	20/12	212	190	Underwoods 10p	190	+3	bg1.65	3.0	1.2	38.7
§90	F.P.	—	103	90	‡WYorks.Ind.Hos.50p	90	.....	64.0	1.8	6.3	12.2
§128	F.P.	20/12	175	150	‡World of Leather	153	−5	bg2.5	3.0	2.3	28.4

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or −
[illegible]							
30	Nil	—	2pm	2pm	Leisure Inv.	2pm	—
365	Nil	10/1	80pm	63pm	Lucas Inds. £1	63pm	−2
2½	Nil	8/1	5pm	2½pm	‡Metal Sciences 2½p	5pm	—
60	F.P.	23/12	64	54	‡Pavion Intl.	56	+2
32	Nil	10/1	4pm	1½pm	Readicut 5p	2pm	+½
260	Nil	24/1	190pm	110pm	Regalian Props.	110pm	−5
240	Nil	20/1	45pm	28pm	Samuelson Grp. 20p	28pm	−7
187	Nil	8/1	36pm	24pm	Wedgwood	25pm	—

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. g Assumed dividend and yield. H Dividend and Yield based on prospectus or other official estimates for 1986. u Forecast otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ‡‡ Dealt in under Rule 535 (3). ♥ Dealt in under Rule 535 (4) (a). † Units comprising five ordinary and one warrant.

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Nov 18	Nov 29	Feb 20	Mar 3
Dec 2	Dec 13	Mar 6	Mar 17
Dec 16	Jan 3	Mar 26	Apr 7

For rate indications see end of Unit Trust Service

Money was given for the call of Pavion, Laura Ashley, Riley Leisure, Plessey, Blacks Leisure, Lonrho, Godfrey Davies, Pentland, Westland, STC, Polly Peck, British Benzol, Premier Oil, Oil Search, International City Holdings, Stanley Miller and Moroya. No puts were reported, but doubles were taken out in STC, Bryson and C. H. Bailey.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Mon Dec 9 1985

[illegible]

FIXED INTEREST

[illegible]

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Blacks Leisure	15	+3½
Boots	263	+20
British Benzol	40	−12
BP	545	−10
Chloride	33	−11
Coats Patons	159	−8
ICI	717	+13
Imperial Group	266	+8
LASMO	232	+4
Plessey	176	−6
Shell Transport	636	−10
United Biscuits	237	−14

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Fri. close	Day's change
Beecham	67	340	+20
Imperial Group	30	258	+26
Boots	25	243	+3
Br. Home Strs.	25	414	—
Metal Closures	23	151	+15
Aspinall	21	170	−3
Coats Patons	21	167	+9
Plessey	21	182	+10
United Biscuits	21	251	−4
Ashley (Laura)	18	194	+6
Bass	18	675	+22
Pentland Inds.	17	285	+5

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 22,611

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

[illegible]

December 9 Total contracts 17,759 Calls 13,078 Puts 4,673

*Underlying security price

WORLD STOCK MARKETS

AUSTRIA | GERMANY | NORWAY | AUSTRALIA (continued) | JAPAN (continued)

BELGIUM/LUXEMBOURG | SPAIN | SWEDEN | HONG KONG | DENMARK | ITALY | SWITZERLAND | FRANCE | NETHERLANDS | AUSTRALIA | JAPAN | SINGAPORE | SOUTH AFRICA

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO
Prices at 2.30pm December 9

Sales	Stock	High	Low	Close	Chng
6100	Rio Algom	$23½	23¼	23½	+¼
800	Rogers A	$10⅞	10¾	10⅞	+⅛
68105	Rogers B f	$14½	14½	14½	
4540	Roman	$15¼	15	15¼	+⅛
54671	Royal Bnk	$34⅞	34½	34¾	
15300	RyTrco A	$22¼	22⅛	22¼	
89336	Royex	200	196	196	−6
1900	StL CemA f	$24¼	24	24¼	+¼
2300	Sceptre	450	450	450	−5
1205	Scot Paper	$19¾	19¾	19¾	
650	Scotts f	$29⅛	29⅛	29⅛	−¼
300	Scotts C	$29⅜	29⅜	29⅜	

F—No voting rights or restricted voting rights.

MONTREAL
Closing prices December 6

Sales	Stock	High	Low	Close	Chng
3610	MntTrst	$16⅛	16⅛	16⅛	−⅛
114117	NatBk Cda	$23⅝	23	23½	−⅛
36095	Power Corp	$21⅛	20⅞	21	−⅛
60460	Provigo	$15⅛	14⅞	15	
100	RollandA	$17¾	17¾	17¾	
26814	Royal Bank	$34¾	34⅜	34⅜	
1900	RoyTrstco	$22⅝	22¼	22¼	−½
1262	SteinbrgA	$34¾	33⅞	33⅞	−⅞

Total Sales 3,754,757 shares

Indices

NEW YORK-DOW JONES

	Dec 9	Dec 6	Dec 5	Dec 4	Dec 3	Dec 2	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Industrials	1,482.68*	1,477.18	1,482.91	1,484.40	1,459.08	1,457.91	1484.40 (4/12)	1184.96 (4/1)	1484.40 (4/12/85)	41.22 (2/7/32)
Transport	708.48*	693.59	704.35	709.62	690.78	697.27	709.62 (4/12)	553.03 (4/1)	709.62 (4/12/85)	12.32 (8/7/32)
Utilities	165.73*	165.57	165.68	165.62	163.83	163.62	168.91 (12/7)	146.54 (4/1)	168.91 (12/7/85)	10.5 (28/4/42)
Trading vol		128m	186m	153.1m	109.7m	103.6m	—	—	—	—

	Nov 29	Nov 22	Nov 15	Year Ago (Approx)
Ind Div Yield %	4.28	4.40	4.49	4.79

STANDARD AND POORS

	Dec 9	Dec 6	Dec 5	Dec 4	Dec 3	Dec 2	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Industrials	226.35*	225.65	226.73	227.24	223.58	223.10	227.24 (4/12)	128.24 (4/1)	227.24 (4/12/85)	3.62 (30/6/32)
Composite	203.58*	202.99	203.88	204.23	200.86	200.46	204.23 (4/12)	163.68 (4/1)	204.23 (4/12/85)	4.40 (1/6/32)

	Nov 20	Nov 13	Nov 6	Year Ago (Approx)
Ind div yield %	3.67	3.62	3.66	4.87
Ind. P/E Ratio	13.54	13.38	13.19	10.69
Long Gov Bond Yield	9.93	10.02	10.15	11.71

N.Y.S.E. ALL COMMON

Dec 9	Dec 6	Dec 5	Dec 4	1985 High	1985 Low
117.28*	116.99	117.67	117.70	117.70 (4/12)	94.60 (4/1)

RISES AND FALLS

	Dec 6	Dec 5	Dec 4
Issues traded	2,040	2,062	2,031
Rises	501	857	1,295
Falls	1,105	784	356
Unchanged	433	421	380

NYSE-Consolidated 1500 Actives

	Stocks Traded	3.00p.m. Price	Change on Day		Stocks Traded	3.00p.m. Price	Change on Day
Pac Gas El	2,484,908	19⅛	+⅛	Beatrice Co	1,842,700	45⅝xd	−⅛
Union Carb	2,384,400	66⅝	+3⅞	Cray Pats	1,552,600	32½xd	−2⅛
Ind Harv	2,084,100	8⅝	+1	Anheuser	1,282,000	49	+1½
ATT	1,917,700	24⅛	+⅛	Phillips Pet	1,209,800	12⅛	−½
Texaco	1,680,200	38¾	−¾	Exxon	1,183,800	52	−1⅛

Advances 950 Declines 853

TORONTO

	Dec 9	Dec 6	Dec 5	Dec 4	1985 High	1985 Low
Metals & Minls	2,005.3*	1,992.2	2,000.5	1,997.1	2190.7 (13/2)	1740.82 (31/10)
Composite	2,855.8*	2,863.2	2,879.3	2,884.0	2884.0 (4/12)	2348.5 (8/1)
MONTREAL Portfolio	139.02*	139.07	138.75	133.76	139.76 (4/12)	117.80 (4/1)

* Indicates pre-close figure

	Dec. 9	Dec. 6	Dec. 5	Dec. 4	1985 High	1985 Low
AUSTRALIA						
All Ord. (1/1/80)	585.8	584.5	586.2	587.4	1052.2 (25/10)	715.5 (7/1)
Metals & Minls.(1/1/80)	484.9	481.2	482.8	484.5	583.8 (20/5)	582.5 (7/1)
AUSTRIA						
Credit Aktien (2/1/62)	115.53	116.43	115.91	116.49	121.85 (28/11)	58.21 (24/1)
BELGIUM						
Brussels SE (5/1/80)	2316.79	2344.41	2346.56	2350.84	2386.36 (25/11)	2036.7 (18/1)
DENMARK						
Copenhagen SE(3/1/83)	(u)	231.67	231.81	228.31	257.57 (24/10)	168.44 (8/1)
FRANCE						
CAC General(31/12/82)	246.3	247.8	248.8	245.4	249.7 (29/11)	180.9 (3/1)
Ind Tendance(28/12/84)	142.1	145.1	144.8	142.2	144.8 (5/12)	100.1 (3/1)
GERMANY						
FAZ Aktien (31/12/58)	585.42	585.77	592.15	584.82	601.38 (22/11)	382.58 (3/1)
Commerzbank (1/12/53)	1725.0	1728.0	1746.8	1728.2	1781.4 (4/11)	1111.9 (3/1)
HONG KONG						
Hang Seng Bank(31/7/64)	1724.27	1721.89	1693.91	1700.86	1762.51 (21/11)	1220.74 (2/1)
ITALY						
Banca Comm Ital. (1972)	435.75	441.90	446.54	446.06	449.54 (5/12)	229.56 (2/1)
JAPAN**						
Nikkei (16/5/49)	12798.2	12785.55	12864.11	12811.2	13055.5 (15/10)	11545.2 (5/1)
Tokyo SE New (4/1/68)	1019.83	1011.20	1013.51	1007.78	1057.55 (10/7)	916.93 (4/1)
NETHERLANDS						
ANP.CBS General (1970)	236.7	238.2	238.9	236.3	239.7 (28/11)	185.6 (3/1)
ANP-CBS Indust (1970)	216.3	217.9	218.5	214.5	218.5 (5/12)	147.9 (3/1)
NORWAY						
Oslo SE (4/1/83)	392.81	399.08	404.60	397.29	412.88 (12/11)	288.18 (2/1)
SINGAPORE						
Straits Times (1966)	649.49	651.22	609.54	(c)	852.65 (7/3)	609.54 (5/12)
SOUTH AFRICA						
JSE Gold (28/9/78)	—	1182.6	1203.6	1195.5	1277.1 (25/11)	820.3 (5/8)
JSE Indust (28/9/78)	—	1044.1	1040.1	1056.2	1049.2 (26/11)	767.1 (7/3)
SPAIN						
Madrid SE (28/12/84)	150.61	151.46	152.49	152.98	157.34 (21/11)	101.48 (2/1)
SWEDEN						
Jacobson & P (1/1/58)	1611.79	1609.99	1606.94	1605.45	1659.58 (2/12)	1285.32 (9/7)
SWITZERLAND						
Swiss BankCpn (31/12/58)	541.9	541.9	539.9	554.0	545.9 (2/12)	589.7 (3/1)
WORLD						
Capital Intl. (1/1/70)	—	—	246.7	246.7	245.7 (27/11)	184.8 (4/1)

** Saturday December 7: Japan Nikkei 12,790.9. TSE 1,010.37.

Base value of all indices are 100 except JSE Gold—255.7. JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50: Standard and Poors—10: and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities. 40 Financials and 20 Transports. c Closed. u Unavailable.

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 41

NYSE COMPOSITE PRICES

Continued from Page 41

LONDON Chief price changes (in pence unless otherwise indicated)

RISES		
Bassett Fds	163xd	+15
Blacks Leis	15	+3½
Boots	263	+20
Cradley Pnt	57	+6
Crouch (D)	120	+8
Deritend	205	+10
Ellis & Gold	80	+5½
Hanson Tst	211	+6
ICI	717	+13
Imperial Gp	266	+8
J S Path	232	+30
Noble & Lund	62	+8
Triphook	130	+9
Vinten	163	+13
Wagon Fin	136	+15
Watson & Phil	157	+14
Wire & Plas	316	+13

FALLS		
Ex 11% 1990	£99¹³⁄₁₆	−¼
Tr 12% 99-02	£113⅛	−⅜
Brit Benz	40	−12
BP	545	−10
Britoil	216	−9
Cable & Wire	592	−13
Chloride	33	−11
Coats Patons	159	−8
Osprey Comms	53	−10
Plessey	176	−6
Racal Elect	158	−8
United Bisc	237	−14
Watson (R Kelv)	205	−40

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Prices at 3pm, December 9

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
28¾	16	AAR	.56	2.2	17	22	25⅞	25½	25½	−⅛
19⅛	10⅛	AGS			14	113	17½	17	17½	+¼
15⅜	9⅞	AMCA				31	11⅝	11½	11½	
50¾	33¼	AMR			7	1078	42⅝	41⅝	42⅛	+1⅜
24¾	18⅝	AMR pf	2.18	9.1		z102	24	24	24	+¼
25⅞	23¼	ANR pf	2.67	11.		2	23¾	23¾	23¾	
22	19	ANR pf	2.12	10.		2	20½	20⅜	20⅜	−⅛
11⅞	7⅝	APL			5	12	10⅝	10⅝	10⅝	−⅛
15⅞	9	ARX			15	131	15¾	15⅝	15⅝	
55⅞	32¾	ASA	2a	5.8		439	35½	34½	34½	−1⅛
27	10½	AVX	.32	2.2		367	14⅝	14¼	14⅝	+½
28⅛	20⅝	AZP	2.72	11.	7	419	26	25¾	25⅞	+¼
63⅝	38⅝	AbtLab	1.40	2.3	17	1443	61⅞	61⅛	61½	+¼
25⅞	18⅝	AccoWd	.50	2.0	18	171	24¾	24¾	24¾	
24¾	10	AcmeC	.40	3.0	19	354	13¼	12¾	13¼	+½
10½	7	AcmeE	.32b	4.4	11	41	7¼	7⅛	7¼	
19	15½	AdaEx	1.92e	10.		80	19	18¾	18⅞	
21	13⅝	AdmMl	.40	1.9	9	84	u21¼	20⅞	21⅛	+⅛
16½	8⅝	AdvSys	.53	3.2	15	249	u16¾	16⅝	16⅝	+¼
36⅝	22⅛	AMD			44	2612	30¼	29¾	30	+⅛
12⅝	10⅝	Adobe n				292	12⅛	12	12	−⅛
17	14⅝	Adob pfA				36	16⅞	16½	16½	−½
17⅝	15¼	Adob pfB				42	17⅝	17⅜	17½	−⅛
12¾	7	Advest	.12a	1.0	17	709	12⅛	11¾	11⅞	

B

C

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N

Continued on Page 41

NYSE COMPOSITE PRICES

Continued from Page 40

[illegible]

12 Month High	Low	Stock	Div. Yld.	P/E	Sls 100s	High	Low	Close	Prev. Close
39⅞	29½	USTob 1.72	5.4	10	184	32	31½	31¼	+⅜
85⅛	66⅞	USWes5.72	6.7	9	668	u85⅞	84⅝	85⅝	+1
13	6⅝	UnStck		14	6	8⅞	8⅝	8⅞	−⅛
45	34½	UnTech1.40	3.3	285	4187	43	42½	42¾	+½
39¼	31½	UTch pf2.55	7.0		79	36¼	35¾	36¼	+¼
25	20⅛	UniTel 1.92	8.6	9	622	22½	22⅛	22⅜	+⅛
21	15⅝	UWR 1.28	6.4	15	43	19⅞	19¾	19⅞	+¼
32½	17¾	Unitrde .20	.9	23	x87	22½	21¾	22⅛	+¼
23¾	16¼	Univar .80	3.6	8	31	22⅞	22	22½	
29⅝	22⅝	UnivFd 1.12	3.9	11	195	29	28¾	28¾	
23¾	18¾	UnLeaf 1	4.2	9	79	23¾	23¼	23¾	+⅝
53	26⅞	Unocal 1.20b	4.1	7	7740	29¼	28⅞	29⅛	−⅜

Continued on Page 39

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, December 9

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

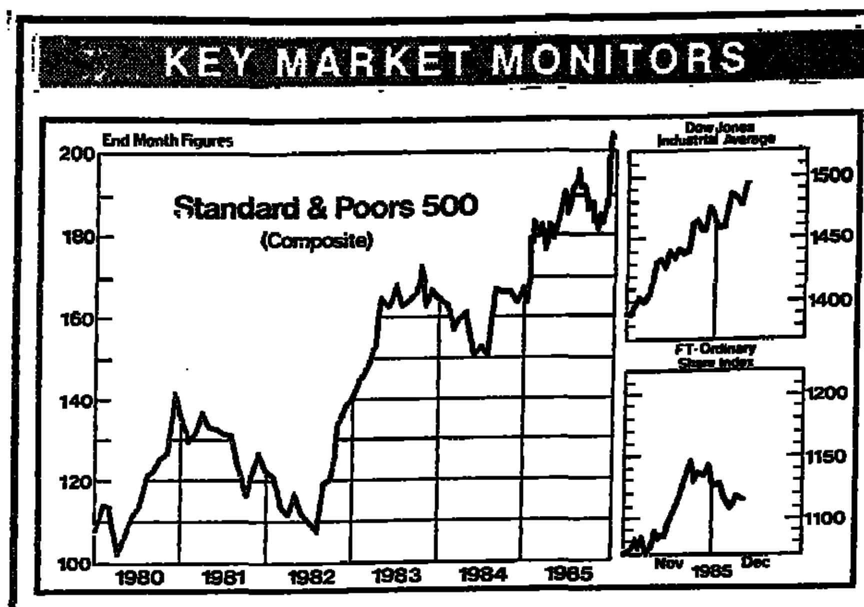
[illegible]

Continued on Page 39

FINANCIAL TIMES

WORLD STOCK MARKETS

KEY MARKET MONITORS



STOCK MARKET INDICES

	Dec 9	Previous	Year ago
NEW YORK			
DJ Industrials	1,492.32*	1,484.4	1,171.6
DJ Transport	701.43*	709.62	520.37
DJ Utilities	165.78*	165.62	144.80
S&P Composite	203.92*	204.23	162.10
LONDON			
FT Ord	1,115.4	1,117.6	930.3
FT-SE 100	1,392.2	1,401.9	1,190.1
FT-A All-share	674.75	679.09	573.24
FT-A 500	741.94	746.52	629.22
FT Gold mines	268.3	276.8	532.3
FT-A Long gilt	*10.41*	*10.37*	*10.09*
TOKYO			
Nikkei	12,798.23	12,793.53	11,466.9
Tokyo SE	1,101.08	1,011.26	884.27
AUSTRALIA			
All Ord.	985.8	984.3	726.5
Metals & Mins.	484.9	481.2	422.9
AUSTRIA			
Credit Aktien	115.33	115.43	57.74
BELGIUM			
Belgian SE	2,916.79	2,944.41	—
CANADA			
Toronto			
Metals & Minls	2,006.3*	1,992.2	1,854.0
Composite	2,855.8*	2,863.2	2,352.1
Montreal			
Portfolio	139.02*	139.07	116.61
DENMARK			
SE	n/a	231.67	166.42
FRANCE			
CAC Gen	246.3	247.8	181.7
Ind. Tendance	142.1	143.1	99.8
WEST GERMANY			
FAZ-Aktien	585.42	585.77	375.44
Commerzbank	1,725.0	1,726.0	1,092.5
HONG KONG			
Hang Seng	1,724.27	1,721.89	1,122.12
ITALY			
Banca Comm.	435.73	441.9	214.78
NETHERLANDS			
ANP-CBS Gen	236.7	239.2	178.6
ANP-CBS Ind	216.3	217.9	141.4
NORWAY			
Oslo SE	382.61	399.08	280.49
SINGAPORE			
Straits Times	649.49	631.22	818.43
SOUTH AFRICA			
JSE Golds	–	1,182.6	1,024.0
JSE Industrials	–	1,044.1	959.9
SPAIN			
Madrid SE	130.61	131.46	96.07
SWEDEN			
J & P	1,611.79	1,609.99	1,376.89
SWITZERLAND			
Swiss Bank Ind	541.9	541.9	385.7
WORLD	Dec 6	Prev	Year ago
Capital Int'l	n/a	245.7	183.7

CURRENCIES

(London)	U.S. DOLLAR Dec 9	U.S. DOLLAR Previous	STERLING Dec 9	STERLING Previous
$	–	–	1.4585	1.4775
DM	2.535	2.5235	3.6975	3.73
Yen	203.55	203.25	296.75	300.25
FFr	7.73	7.715	11.275	11.4
SFr	2.117	51.35	3.0875	3.1125
Guilder	2.851	2.84	4.1575	4.195
Lira	1,721.5	1,722.5	2,510.75	2,545.0
BFr	51.55	51.35	75.2	75.85
C$	1.39865	1.39615	2.0453	2.0625

GOLD (per ounce)

	Dec 9	Prev
London	$317.75	$322.75
Zürich	$317.65	$322.35
Paris (fixing)	$321.89	$324.16
Luxembourg	$320.25	$322.90
New York (Feb)	$319.80*	$326.20

COMMODITIES

(London)	Dec 9	Prev
Silver (spot fixing)	409.35p	410.00p
Copper (cash)	£950.75	£948.50
Coffee (Jan)	£2,007.50	£2,008.00
Oil (spot Arabian Light)	$27.85	$27.90

INTEREST RATES

	Dec 9	Prev
Euro-currencies (3-month offered rate)		
£	11 13/16	11 11/16
SFr	4⅛	4⅛
DM	4 15/16	4⅞
FFr	11⅛	10 13/16
FT London Interbank fixing (offered rate)		
3-month U.S.$	8¼	8¼
6-month U.S.$	8¼	8¼
U.S. Fed Funds	7 15/16*	7⅞
U.S. 3-month CDs	7.90*	8.02
U.S. 3-month T-bills	7.195*	7.20

U.S BONDS

Treasury		Dec 9* Price	Dec 9* Yield	Prev Price	Prev Yield
8½	1987	100 9/32	8.34	100 8/32	8.463
9¾	1992	101 31/32	9.34	101 19/32	9.467
9½	1995	100	9.49	99 19/32	9.608
9⅞	2015	100 24/32	9.78	100	9.874

Treasury Index

Maturity (years)	Return index	Dec 9* Day's change	Yield	Day's change
1–30	134.10	+0.13	9.18	−0.02
1–10	131.67	+0.09	8.91	−0.02
1– 3	127.62	+0.06	8.43	−0.03
3– 5	133.34	+0.04	9.13	0
15–30	142.77	+0.28	10.12	−0.02

Source: Merrill Lynch

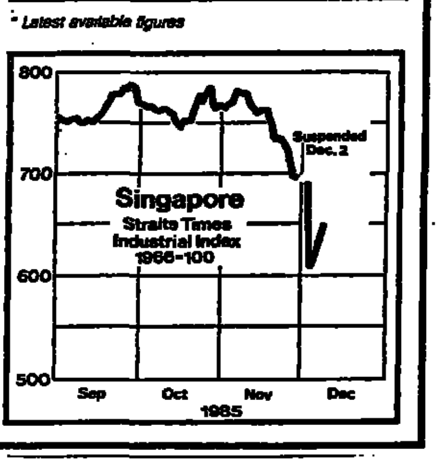
Corporate	Dec 9* Price	Dec 9* Yield	Prev Price	Prev Yield
AT & T				
10⅜ June 1990	101½	9.95	101½	9.95
3⅞ July 1990	85	7.85	85	7.85
8⅜ May 2000	88	10.37	87⅛	10.50
Xerox				
10⅜ Mar 1993	103	10.02	101⅞	10.20
Diamond Shamrock				
10⅜ May 1993	100	10.625	100	10.625
Federated Dept Stores				
10⅜ May 2013	96⅞	11.00	95⅛	11.20
Abbot Lab				
11.80 Feb 2013	105	11.20	104⅜	11.30
Alcoa				
12¼ Dec 2012	104	11.75	103¼	11.85

Source: Salomon Bros

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	81–30	82–03	81–22	81–07
U.S. Treasury Bills (IMM) $1m points of 100%				
Dec	92.86	92.88	92.85	92.84
Certificates of Deposit (IMM) $1m points of 100%				
Dec	92.14	92.14	92.12	92.10
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	91.85	91.87	91.81	91.82
20-year Notional Gilt £50,000 32nds of 100%				
Dec	111–10	111–09	111–01	111–18

* Latest available figures



WALL STREET

Opec adds fuel to optimism

OPTIMISM generated by the prospects for a reduced federal budget deficit and the news from Geneva that Opec has decided to stop trying to prop up oil prices by restricting production, took Wall Street higher yesterday, *writes Michael Morgan in New York.*

The market opened strongly, drawing support from the House-Senate compromise, late on Friday, on the so-called Gramm-Rudman amendment that brings balanced budget legislation a step nearer.

At the close the Dow Jones industrial average was up 19.84 at 1,497.02, a new record.

The advance triggered further programme buying as premiums widened on some stock index futures.

In the credit markets, prices of Treasury coupon issues opened up to half a point higher and rose still further after an aggressive addition of liquidity when the Fed announced it was buying all coupons. The move came with Fed funds quoted at their opening 8 per cent level. Earlier in the session, the Fed had offered temporary liquidity through a $1.5bn customer repurchase arrangement.

The price of the key long bond, the 9⅞ per cent of 2015 rose 20/32 to 100 24/32, while the 9½ per cent note, due in 1995, added 15/32 to 99 23/32.

Money market yields were lower where changed. The three-month Treasury-bill, yielding 7.20 per cent, was steady and the six-month bill shed 1 basis point to yield 7.27 per cent.

In the stock markets, Union Carbide rose $3¼ to $66¼ as GAF Corp, the building materials and chemicals group, said it planned a cash tender for 48m shares at $68 each. GAF spurted $8¾ to $56⅜. Carbide's rise was responsible for about three points of the Dow's advance.

TWA eased $⅛ to $18¾ amid reports that Mr Carl Icahn, the New York investor, may reduce the amount of cash in his $24-a-share offer to minority holders from $19.50 a share to $14.

Other airline stocks, which benefit from lower oil prices, picked up in the wake of the news from Opec. AMR rose $1⅞ to $42½, USAir $⅝ to $30⅝, Delta $1 to $40 and NWA $1⅛ to $51⅞.

UAL, which announced agreement on a wage pact with its flight attendants, rose $1⅞ to $50⅞.

Oil stocks took an opposite route. Atlantic Richfield was down $1⅛ to $62⅜, Chevron $1⅛ at $36⅞, Shell Oil $1 at $37¼ and Standard Oil of Ohio $1⅛ at $50⅞.

Texaco was down $⅜ at $30¾ as investors continued to await a judge's ruling on a $10.5bn award to Pennzoil. Stock in Pennzoil was $¼ lower at $63⅜.

Mobil was $⅛ easier at $30¼. It agreed to sell substantial oil and gas properties in Canada to Canadian investors in return for approval of its proposed purchase of Canadian Superior Oil.

Among the blue chips IBM rose $1½ to $143, General Electric $⅞ to $126¼ and American Express $1 to $50⅝. Texas Instruments put on $2 to $107¼ and Digital Equipment was $⅞ higher at $126⅛.

Alcoa rose $⅝ to $37 as it announced plans to reduce smelting and refining capacity by 25 per cent as part of a restructuring that will also involve after-tax write-offs of $175m.

Kaiser Aluminium eased $⅛ to $16⅞ as it rebuffed a $880m takeover offer from a group led by Oklahoma businessman Mr J. A. Frates.

The Detroit car makers were mostly higher. General Motors traded $½ ahead at $71⅞ and Ford rose $⅜ to $55⅛. Chrysler was unchanged at $42⅝.

Among the corporate reporters, H. J. Heinz traded unchanged at $32⅝ as it announced improved second-quarter earnings. Gulf & Western was $⅛ easier at $47⅞ on its first-quarter results.

Honeywell, the information and control systems group, added $¾ at $71¼ after announcing plans to cut its workforce by 600 at its small systems facilities in Massachusetts.

Prime Computer rose $¼ to $22⅞ after its announcement of new software for its Series-50 computers.

Most drug stocks were higher. Merck put on $1¼ to $131¼. Syntex $1⅛ to $83¼ and Eli Lilly $⅞ to $104⅞. In the opposite direction, Upjohn shed $4⅞ to $132⅝.

Viacom International, the TV, cable and radio broadcasting group, eased $1⅞ to $56¼ after last week's takeover speculation.

Martin Processing, the film and textile yarn group, added $4½ to $65¾. The company said on Friday that it was unaware of any reason for the activity in its stock.

Among heavily traded stocks on the New Stock Exchange, Pacific Gas and Electric rose $⅛ to $19¾. International Harvester put on $3⅞ to $66⅞ and AT&T traded unchanged at $24.

On the American Stock Exchange, active features included Dome Petroleum, down $3/16 at $2⅛ and BAT Industries, unchanged at $4⅛.

LONDON

Unsettled by concern on oil prices

INVESTORS were unusually cautious in London yesterday, worried that attempts by Opec to protect its market share might be at the expense of oil prices.

Supported by the combined strength of constituents Imperial, Hanson Trust and Boots, the FT Ordinary share index fell only 2.2 to 1,115.4 while the FT-SE 100 lost 9.7 to 1,392.2 after falling 12 points earlier in the day.

Imperial added 8p to 268p following Friday's late offer from Hanson Trust, which added 6p to 211p. Boots recorded a strong gain of 20p to 263p.

Business was sporadic in gilts and at the close, longer-dated stocks showed falls ranging to ⅜ while shorts were about ¼ lower.

Chief price changes, Page 39; Details Page 38; Share information service, Pages 36–37.

HONG KONG

DESPITE opening firmly, activity fell off throughout the session in Hong Kong and prices drifted to a mixed close.

The Hang Seng market index rose a marginal 2.38 to 1,724.27 on turnover down from that recorded on Friday.

Revived rumours that Jardine would sell its stake in Hongkong Land buoyed the market early in the day but again the sale failed to materialise. Jardine was unchanged at HK$13.70, while Hongkong Land shed 5 cents to HK$6.60.

A rise in six-months profits for Hongkong Wharf left it 10 cents lower at HK$7.40. Brokers cited widespread buying of the stock last week for the market discounting yesterday's interim news.

SINGAPORE

BARGAIN HUNTING extended last Friday's gains in Singapore where prices moved higher across the board. The Straits Times industrial index put on 18.27 to 649.49.

Among banks, DBS added 20 cents to S$5.30, Malayan Banking 14 cents to S$4.92, OCBC 20 cents to S$7.95 and UOB 16 cents to S$3.24.

Elsewhere, Genting gained 14 cents to S$4.68 and Straits Trading 10 cents to S$2.32.

AUSTRALIA

AFTER falling early in the session, stock prices turned around in Sydney to end mixed to higher, aided by a late rally in resource and metal issues.

Banks were easier with ANZ off 40 cents at A$4.35 after a 16 cent dividend and one-for-five rights issue.

Elders IXL, whose bid for Allied-Lyons of the UK has been delayed while the British Monopolies and Mergers Commission investigates, fell 3 cents to A$2.90.

SOUTH AFRICA

AN EASIER TREND gripped Johannesburg on the first day of trading since the Minister of Finance Mr Barend du Plessis announced new foreign exchange controls.

Golds were hit by a stronger rand and weaker world bullion price.

Buffels dropped R2 to R81.25, Kloof R1 to R22.50 and Driefontein 75 cents to R50.

Elsewhere, Anglo American shed 30 cents to R39.35 and De Beers 25 cents to R15.25.

EUROPE

First bout of seasonal lethargy

THE FOOTPRINTS of foreign investors were easily detected on European bourses yesterday as local trading levels began to subside in the first really noticeable pre-Christmas easing of activity.

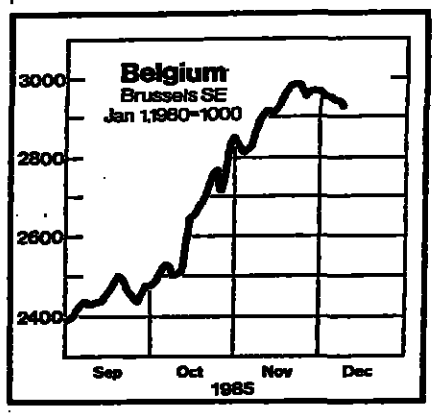
The retreat staged in **Brussels** was largely a continuation of last week's fall but overseas profit-takers were more in evidence yesterday. The absence of institutional support and fears that local interest rates are set to rise also contributed to the slide. The Belgian Stock Exchange index lost 27.67 to 2,916.74.

Oils were busy but largely unsettled by the Opec decision to maintain current crude oil output levels and maintain its market share rather than support prices. Petrofina finished BFr 60 down at BFr 7,010, while Cometra, the country's second largest oil group, firmed BFr 5 to BFr 2,900, more a reflection of the group's intention to proceed with a rights issue than of news from Geneva.

Other features included the BFr 110 fall to BFr 5,140 for Gevaert, while UCB lost a further BFr 80 to BFr 5,750.

Arbed was one of the few industrial shares to rise, picking up BFr 25 to BFr 2,675.

Frankfurt was caught between thin trading and strong overseas activity. A mixed opening evolved into a recovery after midsession but the Commerzbank index calculation reflected the earlier tone as it fell 1.0 to 1,725.0.



Banks were very strong in the morning but eased near the close with BHF, up an early DM 11 but a net DM 2 firmer at DM 486. The bank is still the subject of considerable speculation that it may be taken over by a foreign bank – possibly UBS of Switzerland – despite BHF's announcement on Friday that it had no evidence that anyone was building up a stake with a view to a takeover.

Dresdner ended 80 pfg up at DM 342.50, after DM 343.50, and Commerzbank put on DM 5 to DM 273.70. Deutsche Bank led the sector with a DM 6 gain to DM 710.50 in the wake of its Flick plans.

Retailers were soft. Kaufhof surrendered DM 13 of November's hard-won gains to close at DM 325 and Karstadt lost DM 5 to DM 324.

Among oil sensitive issues, Lufthansa dropped DM 5 to DM 210 and utility Veba put on DM 1 to DM 271.

Company news was restricted to Bayerische Vereinsbank's 10-month profits increase of more than 25 per cent, which put DM 2 on its share price to DM 470.

In the bond market, shorter maturities were steady or up to 10 basis points higher on slight demand while longer-dated issues shed up to 20 basis points.

Milan put on a spirited performance in thin volume as industrials were mixed with Fiat down L82 to L5,318 and as Montedison gave up a further L60 to L2,510.

A 30-minute market closure for an historic address by Prime Minister Bettino Craxi failed to stem the tide. He revealed that the Government did not intend to introduce any property taxes this year or to tax Treasury bills or government bonds, but that such moves remained central to his party's policy.

Stockholm was led to a high for the year with a very strong showing by drug producer Fermenta, which rose SKr 13 to a record SKr 200. The Veckans Affarer All-Share index put on 2.3 to 553.9.

Ericsson, however, fell SKr 11 to SKr 197 on fears of a lower 1985 dividend.

Amsterdam turned lower in thin trading and the ANP-CBS General index lost 2.20 to 236.7. Internationals, insurers and publishers were generally lower with banks steady or slightly down. Royal Dutch was forced Fl 2.50 down to Fl 175.40 in response to the Opec meeting.

Bonds were lower where changed.

Profit-takers dominated a weaker **Paris** with oils weak and stores unsettled by Saturday's bomb attacks.

Zurich managed mixed showing although volume remained low in the run-up to Christmas. Union Bank gained SFr 60 to SFr 4,970.

Madrid turned lower in quiet trading with banks showing the most weakness.

TOKYO

Inhibited by uncertainty over rates

TRADING was extremely thin in Tokyo yesterday with institutional investors and companies, short of funds due to the year-end bonus season, sitting on the sidelines, *writes Shigeo Nishiwaki of Jiji Press.*

Individual investors traded very high-priced issues, resources-related stocks and biotechnologies to take capital gains.

The Nikkei average rose only 7.33 from Saturday's close to 12,798.23 on a volume totalling a mere 190.81m shares, a sharp drop from 347.26m on Friday.

Investors were unable to move because of an uncertain outlook for interest-rate trends. NEC and other semiconductor-related issues that had advanced since early last week were neglected in the wake of the US Commerce Department's initiation on Friday of an anti-dumping investigation into Japanese microchip imports.

In those circumstances, Kokusai Denshin Denwa (KDD) soared Y530 to Y28,850, Japan Air Lines (JAL) Y190 to Y7,590 and Secom Y160 to Y5,260 on small-lot buying by speculators.

Among resources-related stocks, Sumitomo Metal Mining added Y40 to Y1,890 and Mitsubishi Metal Y13 to Y547. Teikoku Oil, which had been popular last week, rose Y13 temporarily, but closed Y3 lower at Y666.

Biotechnology issues changed hands quickly in the morning, finishing the day generally lower. Mitsubishi Chemical was Y2 down at Y518, Nippon Oil and Fats Y10 down at Y790 and Kuraray Y10 cheaper at Y1,500.

Reflecting research on liquid crystals, Dainippon Ink and Chemicals topped the active list with 6.19m shares changing hands, but rose only Y2 to Y335. Kandenko, an electrical engineering company, went up Y80 to Y2,780 because of increased equipment investment by power companies, and Mitsubishi Estate closed at Y1,080, up Y20.

NEC remained unchanged at Y1,320, while Hitachi lost Y14 to Y721 and Fujitsu Y20 to Y1,070. Mitsubishi Heavy Industries fell Y4 to Y346.

In the bond market, the yield on the barometer 6.8 per cent government bond maturing in December 1994 declined from 6.165 per cent Friday to 6.155 per cent in very slow trading.

Institutional investors and brokerage houses believe interest rates will fall in Japan and the US. But many were bearish regarding the market trend for the immediate future because an official discount-rate reduction in the US is likely to be delayed into next year and the Bank of Japan is still allowing short-term interest rates to remain high.

Reflecting their mixed sentiments, the benchmark bond was sold when the yield dipped to 6.15 per cent and buying mounted as soon as it approached 6.16 per cent.

CANADA

GOLDS traded lower in Toronto, offsetting upward momentum from the Wall Street markets, as the bullion price was fixed in London at an 11-month low.

Lac Minerals moved down C$⅜ to C$36¼, Campbell Red Lake shed a similar amount to C$31¼ and Dome Mines was off C$½ at C$13⅛.

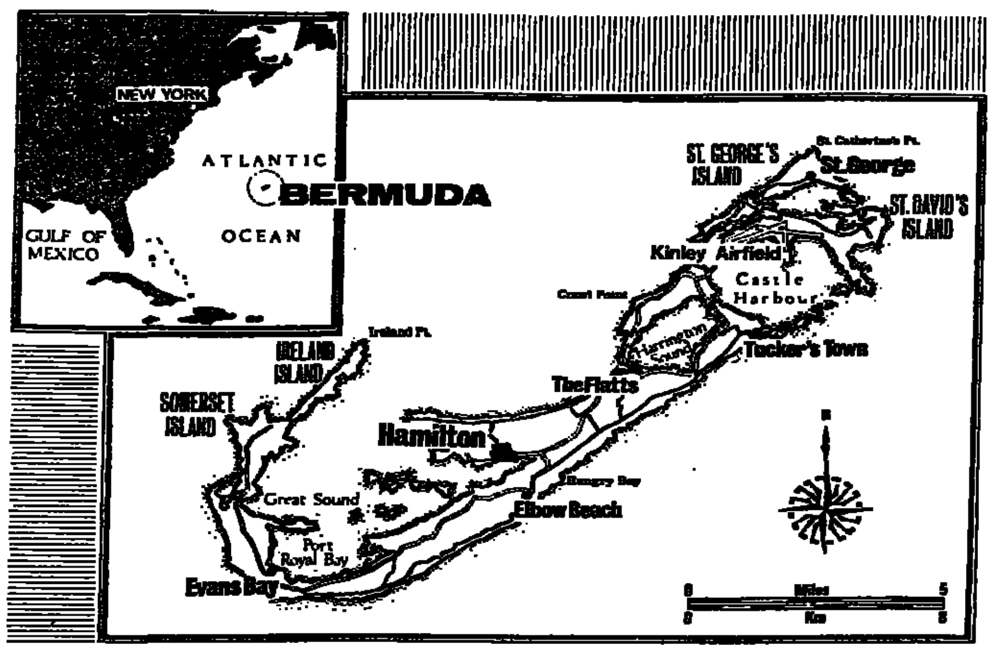
Energy issues also fell led by Imperial Oil, down C$1½ at C$53½.

Issues were virtually unchanged in Montreal.

FINANCIAL TIMES SURVEY

Bermuda

This British colony is stable and prosperous, with a high standard of living supported both by tourism and the island's role as an offshore centre. Recent economic performance has dipped but some improvement is being felt.



ON OTHER PAGES

Business under a UK flag

By Paul Taylor

FEW ISLAND-NATIONS are fortunate enough to boast the natural and man-made advantages of tiny Bermuda, Britain's oldest self-governing colony. For while Bermuda is by no means totally free of problems—it has relatively few of them compared with many other offshore business centres.

Physically, the chain of 140 islands that make up Bermuda sit in the middle of the Western Atlantic, bathed by the warm waters of the Gulf Stream—which ensures a year-round temperate climate—yet just 600 miles off the coast of North Carolina and one-hour's flying time from New York.

Although Bermuda, with just 20.5 square miles of land, is not rich in natural resources and has virtually no local manufacturing base — meaning that almost everything has to be imported—its 56,000-strong population is generally well-educated and well paid. Thanks to the service economy there is virtually no unemployment and the islands' per capita Gross Domestic Product of about $18,000 make the islands one of the richest "city states" in the world. Prices are high, but so generally is the standard of living.

Hamilton, Bermuda's capital and business centre, is smart, clean, professional and efficient. Telecommunications services, provided by the local telephone company and internationally by Cable and Wireless, are modern. Were it not for the businessmen in Bermuda shorts, Hamilton might well be mistaken for a somewhat extravagantly-painted English market town on a sunny summer day.

Politically the country is stable and democratic, with a lively local press. Premier John Swan's United Bermuda Party won a landslide victory in the October elections, increasing his party's majority by 10 to 22 in the 40-seat parliament. The victory, which Mr Swan modestly calls "a good mandate," appears to ensure him and his party power for up to another five years.

Tensions

Perhaps equally importantly, the signs of social unrest apparent in the late 1960s and early 70s—which culminated in the murder of Sir Richard Sharples, the British Governor, appear to have disappeared. The relative prosperity of Bermuda, its growing middle class and the emergence of Mr Swan, a black Bermudian, as premier of a nation in which just over 60 per cent of the population is black, seems to have soothed previous tensions.

At the same time Bermuda has managed to maintain its reputation as a "clean" business centre—free from drug money, corruption and the other undesirable trappings of an island society which is generally remarkably free of rules and regulations and where virtually everyone knows each other and what is going on.

Mr Swan, a local businessman turned shrewd politician, says he is committed to expanding Bermula's participatory democracy and the island's "strong educational underpinnings." He attributes the island's success to date to these factors and his "experiment in pluralism."

But there are rules. For example, the height of buildings is strictly controlled, the maximum speed limit is set at a modest 22 miles per hour to reflect the nature of Bermuda's roads and there are no cars for hire—just bicycles, mopeds and taxis.

Today the business of Bermuda government takes place under the watchful and wise eye of Viscount Dunrossil, former High Commissioner to Fiji and then Barbados, who took over the responsibilities of British Governor in 1983 following the abrupt departure of Sir Richard Posnett after an unseemly row over his locally-paid expenses.

In contrast, the current governor appears generally well liked and respected by Bermudians. But in fact Britain's involvement with Bermuda these days is largely confined to cricket, ceremony and the issuing of passports, and that appears to suit most Bermudians just fine.


Premier John Swan: election victory a "good mandate"

"Britain has not interfered with our domestic development," Mr Swan says. "But it has been a co-operative, supportive and cordial relationship." This probably explains Bermuda's apparent reluctance to seek full independence from Britain.

Bermuda's ties to the US are arguably more important these days than its constitutional and historic links to Britain. Geographically, Bermuda's position has made it a key strategic base for the US and Nato. The US maintains a large military base on the island which operates as a Soviet submarine "listening post"—in return for which the US runs Bermuda's civilian airport.

The economic ties to North America are even more compelling. Bermuda's local currency, the Bermuda dollar, is tied to the US dollar at parity, 60 per cent of the island's imports come from the US and almost 90 per cent of the tourists, who foot a large part of the import bill, arrive from the States.

Vital Statistics

Area:	20.5 sq. miles
Population:	54,050
Total employment:	32,035
Total visitor arrivals (000):	528.8
Visitors' expenditure ($m):	337
Retail price index (change on year):	+5.1
Merchandise imports ($m):	404.4
Central government's total revenue ($m):	187.8
Total commercial bank assets ($m):	5,136
GDP at market prices ($m):	1,003.4
GDP at constant prices (75/76 $m):	163.3
GNP per capita (factor cost):	15,600

Research: Rivka Nachoma

The British flag may still fly over Bermuda but as Mr Swan says dryly: "The bottom line is that we have Americans to feed and protect us." The relationship between the US and Bermuda is a close one—although there are the occasional disputes, particularly over Bermuda's generous tax regime.

While Bermuda businessmen and politicians shun the idea that Bermuda is, or ever has been, a "tax haven" the absence of income tax, withholding tax, corporate tax, tax on profits and most other forms of direct taxation, have helped make Bermuda an attractive base for offshore businesses.

Under Bermuda law international exempt companies do not have to meet the local 60:40 rule—requiring 60 per cent Bermudian ownership—and are also guaranteed immunity from the imposition of any income or corporate taxes until 2006. But they do pay other forms of indirect taxes which make Bermuda a relatively expensive place in which to live and work.

But the attractions of Bermuda as an offshore business base do extend far beyond tax considerations. Among those cited by local businessmen are the island's attractive geographic location and time zone position, quality of life, regular air services to London and North America, liberal regulatory climate, freedom from foreign exchange controls and other constraints on investment, and well-developed communications and other infrastructure.

As a result, Bermuda has managed to attract a wide range of financial services, trading and other companies to its shores. Currently there are more than 5,800 international companies registered in Bermuda. Among them are the "captive" insurance subsidiaries of many of the world's largest industrial groups which, together with the professional brokers, underwriters and management services companies, have helped turn Bermuda into a major offshore insurance centre.

Contribute

Together, these international companies contribute more than $200m a year to the Bermuda economy and, coupled with tourism, keep Bermuda financially afloat. By most estimates tourism accounts for over 30 per cent of Bermuda's $1bn GDP and about half its foreign exchange earnings while international business generates 19 per cent of GDP and about 30 per cent of foreign exchange earnings.

The importance of these twin supports to Bermuda's economy has been dramatically highlighted in recent years—spotlighting probably the biggest challenge facing the islands today.

For the past three years the local economy has been in the doldrums, the country's trade balance has worsened, plunging into deficit last year, and the government, faced with yawning budget deficits, has been forced to trim spending plans and raise custom duties and other taxes while running down its reserves to almost zero.

The major causes of Bermuda's lacklustre economic performance over the past few years have been a steady decline in tourist arrivals — partly reflecting the strength of the dollar — and slowing growth in the international business sector — partly reflecting problems in the worldwide insurance markets. Meanwhile, domestic consumption continued to rise, fuelling a surge in imports.

The economic tide may now be turning, spurred by government and private sector initiatives. The decline in tourist arrivals appears to have been halted, the dollar has fallen, locally fuelled wage-price inflation is trending down and the recent improvement in the world underwriting insurance markets is beginning to be felt among Bermuda's insurance captives.

In the tourist sector in particular, the future looks distinctly brighter. The dollar's decline should help restore Bermuda's competitiveness as a top-class holiday destination, some progress has been made on reducing high air fares to the islands and re-arranging schedules, promotional advertising is being stepped up, and the US Congress is considering a Bill which would provide the same tax-breaks to companies holding conventions in Bermuda hotels that are already available to some other countries.

In addition, several large Bermuda hotels have changed hands recently and are undergoing substantial renovation — Club Med has acquired the former Loews Beach Club and Marriott has acquired the Castle Harbour Hotel. Overall, according to Mr Kirk Cooper, chairman of the Bermuda Tourist Board, Bermuda hotel owners are spending almost $90m on renovation projects—a "fairly hefty investment" which he and Mr Irving Pearman, Bermuda's Tourism Minister, say "reflects investors' confidence in the future."

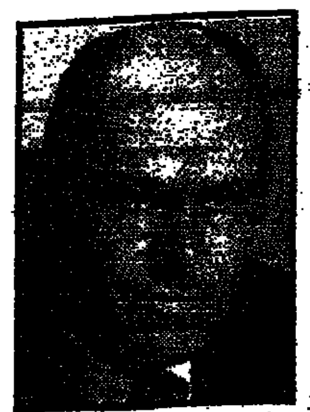
Bermuda 2

Bermuda's Gross Domestic Product

(At constant prices—1975-76 BD$m)

	1979-80	1980-81	1981-82	1982-83	1983-84
Consumers' expenditure	318.5	330.6	326.6	327.7	339.5
General government final consumption	47.2	48.3	50.4	51.2	53.6
Gross domestic fixed capital formation	63.9	79.0	68.6	90.9	89.7
Domestic demand	429.6	457.9	445.6	469.8	482.8
Exports: Visitor expenditure	179.2	184.3	151.2	151.2	151.9
Exports: International company expenditure	74.4	88.5	95.4	87.7	88.0
Exports: Other goods and services	51.9	49.8	50.9	59.1	59.9
External demand	305.5	322.6	297.5	298.0	299.8
Total final demand	735.1	780.5	743.1	767.8	782.6
Less: Imports of goods and services	−268.8	−302.5	−291.3	−308.1	−318.9
Gross domestic product at market prices	466.3	478.3	451.8	459.7	463.7

Source: Bermuda Statistical Department.



Sir David Gibbons: stern warning on balance of payments

First signs of a recovery

Economy

PAUL TAYLOR

THE BERMUDA economy rests on two pillars—tourism and international business. Together they generate the foreign exchange necessary to fund Bermuda's substantial imports bill, while propping up the domestic economy and government spending.

But both tourism and international business have been depressed in recent years. Tourism by the strength of the dollar, high local prices, competition and, *until recently*, a lack of new capital investment; and international business mainly by the problems of the insurance industry worldwide.

As a result the Bermuda economy has been in the doldrums and Bermudians, once used to uninterrupted growth, have had to come to grips with a new reality — living within their country's limited means.

Now there are the first signs of a turnround resulting from a combination of a falling dollar, a determined effort to reinvigorate the tourist sector and promote the country as an offshore financial centre, tighter government spending policies and a greater realism in the local labour market.

"The economy is in an early stage of recovery from the slump we have been having in the last three years," says Dr Clarence James, Bermuda's Finance Minister — expressing a view cautiously endorsed by most private sector economists and businessmen.

Between 1975-76 and 19801-81 Bermuda's real GDP grew by a dramatic 21 per cent. But this fast-paced expansion came to an abrupt end in the early 1980s. Real GDP peaked in 1980-81 and since then—despite the recovery in the US and most other Western nations — Bermuda's economy has been in what Dr Graham Dargie, the government's economic advisor, describes as a "temporary period of no growth."

Indeed, after posting sub-par real growth of less than 0.5 per cent in 1983-84, real GNP probably declined by as much as 5 per cent *in fiscal 1984-85* but is generally expected to begin to grow modestly again in the current financial year.

To achieve renewed growth Bermuda has begun to address some of the key factors which have led to the economy's recent lacklustre performance — a steady erosion of its tourist base, slowing growth in the international business sector, wage-push, domestic inflation and soaring imports fuelled by domestic consumption.

Imports of goods grew by more than 8 per cent to $396m last year and with merchandise exports totalling only a modest $30m the colony's merchandise trade gap widened to $366m from $345m in 1983.

Inevitably, Bermuda is heavily dependent on imports—about 60 per cent of which come from the US. And with virtually no local manufacturing base, the island nation relies upon "invisible" exports such as receipts from tourism, offshore banking and financial services to foot the foreign exchange import bill and help plug this yawning trade gap.

But last year, according to Bermuda monetary authority figures, tourist and travel receipts remained virtually unchanged at $337m and the positive balance on professional management and technical services mainly representing spending by international companies in Bermuda, remained flat at just over $200m.

As a result Bermuda's traditionally strong current account balance of payments surplus evaporated, turning into a $21m deficit, prompting a stern warning from Sir David Gibbons, the monetary authority chairman, that "the steady deterioration in the balance of payments since 1980 cannot be allowed to continue."

Bermuda's worsening trade balance has mainly reflected the fact that growth in domestic consumption has outpaced depressed earnings from tourism and international business.

Until this year regular tourist arrivals — excluding cruise ship passengers—have fallen almost steadily since reaching a peak of 491,640 in 1980. Last year they declined by 6.5 per cent to 417,460 *last year, while cruise ship* passenger arrivals fell by 7.8 per cent to 111,410.

Now Bermuda appears to have managed to halt the decline with 1985 first half tourist arrivals, bolstered by new promotional efforts, 3.1 per cent up, to 245,720 from 239,300. Even though the figures mask a 4.2 per cent decline in regular arrivals — offset by a massive 41.7 per cent increase in cruise ship passengers, they represent a welcome improvement.

A turnround in the international business sector is less immediately apparent. After many years of sustained growth, the number of international exempt companies and non-resident companies on the Bermuda companies register showed little growth last year, expanding to 5,860 at the end of 1984 compared to 5,780 a year earlier. At the same time a number of these companies announced a cutback in local operations.

Recently, however, there have been limited signs of some pick-up. For example, in the 1985 first half 303 new international companies were registered compared to 267 in the 1984 first half.

The importance of the international company sector to the Bermuda economy is probably understated by the bald statistics. International companies directly employ 2,000 out of the island's 32,000-strong workforce. But local banks, insurance and business services employ another 4,300.

A recent study completed with the help of the Bermuda International Business Association (BIBA) suggested that local companies, excluding the banks, received $42m of their earnings last year directly from non-resident sources and as Mr Stanley Gascoigne of BIBA notes: "That is probably an underestimate"

After allowing for "hidden" foreign exchange earnings mainly attributable to international business, the Bank of Bermuda argues that "the total contribution of international business is probably closer to $300m—meaning that foreign exchange earnings from international business are now nearly equal to those from tourism."

Bermuda has also realised that in addition to revitalising the tourist and international business sectors, it is necessary to put its domestic economy in order. Despite the downturn in the tourist and international business sectors, domestic demand and consumption had continued to grow, resulting in further upward pressure on imports.

In January this year the Bermuda banks, after consultation with the government and Bermuda monetary authority announced new tougher Bermuda dollar lending policies in an effort to curb domestic consumption, slow the hitherto fast pace of domestic monetary growth and bank lending.

In a small closed economy like Bermuda the impact was felt almost immediately. By the end of June there had been a marked decline in retail sales with year-on-year numbers showing a 6.8 per cent drop and second quarter imports tumbled by 7.2 per cent to $99.6m.

In addition this slowdown appears to be having other favourable "de-pressurising" results. While Bermuda's retail price inflation has declined steadily in recent years to an annual pace of less than five per cent — aided in part by the strong dollar and stable US export prices — local wages and salaries had been rising at a significantly faster pace.

This wage-led domestic inflation has primarily reflected local labour market conditions. There is virtually no unemployment in Bermuda. Indeed with a population of only about 56,000 many Bermudians have more than one job. As Mr Gascoigne notes: "There is actually a labour shortage."

Now, in the wake of the slowdown in the domestic economy — which has led to some lay-offs and redeployment of the workforce — there are signs of "greater realism" in the labour market. Employers report less turnover among the workforce and wage settlements appear to be heading down towards the 5 per cent level compared to between seven and eight per cent just a year ago.

At the same time, housing prices and office rents have stabilised and construction activity has slowed.

The changed economic environment also appears to have instilled a new sense of fiscal and budgetary realism in government. Last autumn the Government—aware that it was heading for its second consecutive combined current and capital account budget deficit, which threatened to wipe out its already depleted reserves, stepped on the spending brakes.

As a result the Government posted a fiscal 1984-85 budget deficit of $10.8m following a $8.75m deficit the previous year — but avoided the need to borrow by running down its consolidated fund balance to just under $2m.

Since Bermuda has few direct taxes the main source of Government revenues are indirect taxes like customs duties which are budgeted to bring in $92m or about 43 per cent of total revenues this year. Ironically, one of the dangers that could blow the budget off course is the recent decline in imports in real terms which cut customs receipts by $5m in the first half.

But whatever the outcome, Dr James says he is committed not to resort to borrowing because he says the service-based Bermuda economy is too narrow to carry a hefty debt burden. "I feel that apart from borrowing for housing we should not borrow," he says.

Imports and exports

	1982	1983	1984
Merchandise imports ($m)	348	372	404
Merchandise exports ($m)	17	21	38
Imports from selected countries (per cent of total imports)			
US	55	56	57
UK	9	8	8
Canada	8	7	6
Caribbean (mainly fuels)	11	13	10

Government adds to its power

Politics

ROGER SCOTTON

OUTWARDLY, the political scene appears to be unchanging. Premier John Swan is still premier. The United Bermuda Party is still in power as it has always been. And there are few obvious signs that Britain's oldest colony has just been dragged through its third general election in five years.

Yet 1985 will long be remembered as the most political significant year in Bermuda since the advent of party politics in the late 1960s—a year which has seen the government become immensely powerful, the Opposition Progressive Labour Party incredibly weak and the fledgling National Liberal Party emerge as a third force.

The changes have brought the newly-appointed PLP chief Frederick Wade to within a hundred yards of his goal. But his chances of moving from the drab offices of the official Opposition leader to the comparatively well-upholstered surroundings of the Premier's *just across the street are more* remote than they have ever been.

His Left-wing party, whose leanings have been traditionally described as being similar to those of the Left wing of Britain's Conservative Party, has never governed Bermuda. It came close in the 1980 general election, when it won control of 18 seats in the colony's 40-seat Westminster-style Parliament and was reckoned to be about 150 votes short of winning. But now, two *elections* later, the PLP is in tatters.

It not only lost this year's general election on October 29, but suffered the worst electoral defeat in its 21-year history. It went into the election holding 10 parliamentary seats and emerged with just seven—a result which left the ruling Right-wing United Bermuda Party with 31 seats and led to the almost immediate resignation of Mr Wade's predecessor, the 14-year veteran Mrs Lois Browne Evans.

Mr Wade, 46, a lawyer who was formerly the PLP's deputy leader, blames the October debacle on the combination of a recent highly-controversial split in his party and apathetic, disenchanted supporters.

The split this summer followed months of intense infighting between PLP moderates and hardliners over the direction of the party and Mrs Browne Evans' leadership. The battle led to the expulsion of six PLP moderates, rebels who became the nucleus of a new centrist group calling itself Supporters for Change which emerged as the National Liberal Party in August this year. The rest is history.

A mid-term election was called by Premier John Swan at a time when the PLP was least able to contest it and produced the lowest turnout ever recorded for Bermuda's 30,000 voters. Worst hit were PLP strongholds where many voters boycotted an event *that had* been widely criticised as being totally unnecessary and completely uninspired.

At the count, the party came away with just 31 per cent of the popular vote against the UBP's 62 per cent and the NLP's 7 per cent. "People were being asked to vote in the third general election in five years despite the fact that there were two and a half years remaining on Mr Swan's mandate," Mr Wade says. "The voters were just fed up with politics and politicians."

Though the call to the polls was not unexpected and followed months of speculation, the PLP still managed to get caught unprepared. "Our internal crisis had kept us preoccupied," Mr Wade explained. "When we should have been out on the streets campaigning and trying to get the community behind us, we were squabbling among ourselves."

Yet Bermuda's 50-year-old black premier John Swan, has maintained consistently that his aim in calling an early election was not to capitalise on the opposition's disarray but to give voters a chance to reaffirm their support for the United Bermuda Party. *And they did*, giving the UBP an unprecedented Parliamentary majority in the process.

Mr Swan has argued that the formation of the National Liberal Party, which succeeded in winning two parliamentary seats in the House of Assembly represented such a fundamental political change that an election was fully justified.

But there are many who disagree with that argument and who claim that the Swan administration should have got on with the *job of running* the country instead of taking it back to the polls so soon after the 1983 election. They maintain that the UBP's demolition job on the opposition has effectively robbed many working-class Bermudians of Parliamentary representation and that the island's powerful Bermuda Industrial Union will now become increasingly more militant.

Already the NLP has stepped in with an offer to represent trade unions in Parliament, claiming that the Progressive *Labour Party* has merely used its traditional link with the unions to achieve party objectives. But the industrial union is unlikely to give up strong PLP ties for a group still in its formative stages.

Mr Gilbert Darrell, the Liberal leader, has said the UBP is primarily business-oriented, the PLP labour-oriented and that the NLP is in between the two. But although the Liberals have firmly ruled out an alliance with the battered PLP, they *still* appear to be casting around for the right kind of middle ground.

General Election results

(Distribution of seats)

	1980	1983†	1985
Progressive Labour Party	18	14	7
United Bermuda Party	22	26	31
National Liberal Party			2
Total elected	40	40	40
Registered voters (000s)	31.2	29.9	29.3
% voting	80	81	70

† In 1984 four members of the Progressive Labour Party sat as independents.

Research: Rivka Nachoma.

Rapid growth created by offshore role

Banking

PAUL TAYLOR

BERMUDA'S three banks depend heavily on international business for their prosperity—indeed their rapid growth in recent years is a direct consequence of Bermuda's emergence as a major offshore financial and trading centre in which the banks play a key intermediary role.

The local economy on its own, even when buoyant, could not support three full service commercial banks. As the Bank of Bermuda's latest annual report notes: "Our earnings growth is wholly attributable to revenues generated by the international sector and in particular to increased foreign interest earnings.

"The wide range of services offered to local customers through the bank's branch network in Bermuda is largely supported and to some degree therefore subsidised, by our international business."

Bolstered by an expanding foreign currency deposit base, the three Bermuda banking groups have seen their combined total assets grow from just over $1bn ten years ago to $3.9bn at the end of 1981 and about $5.2bn today.

According to figures from the Bermuda Monetary Authority, foreign currency deposits increased by over 25 per cent to $3.9bn during the past four years alone, while Bermuda dollar deposits grew by 52 per cent to $542m at the end of 1984.

At Bank of Bermuda, the island's biggest banking group with $2.74bn in total assets at the end of June, Mr Donald Lines, chief general manager, estimates that about 95 per cent of the bank's 1,120 employees owe their jobs to international operations—including the 127 employed overseas in offices in Guernsey, London and Hong Kong and, most recently, in an Edge Act bank in New York.

The group, one of the largest private sector employers in Bermuda, estimates that about 86 per cent of its assets are employed in its international operations, including foreign currency, deposit lending and fee-based activities, conducted both in its Hamilton headquarters and at its foreign offices.

At Butterfield and Son, Bermuda's oldest banking group with $2.2bn in assets and a 761-strong workforce, a similar picture emerges. The banking group's assets have grown from just $54.5m two decades ago and Mr Stephen Kempe, the bank's assistant general manager, estimates that between 85 and 95 per cent of the group's business is now international.

Although Butterfield claims the largest share of Bermuda's domestic banking business, an activity which Mr Kempe says is profitable, the international business remains the single most important factor in the bank's continued prosperity.

Bermuda's third banking group is the much smaller and recently renamed Bermuda Commercial Bank formed in 1969. The bank, which has about $300m in assets, is 32.4 per cent owned by Barclays Bank's international subsidiary, BBI, and is operated under a BBI management contract. However, Mr Michael Shadrach, managing director, says the bank has, over the years, "changed its thrust from being an (Barclays) adjunct to being a locally guided and owned bank."

While Mr Shadrach accepts that his bank does not have the resources to compete across-the-board with its two larger competitors, the bank is steadily building its international business—using the Barclays affiliation—but is emphasising the expansion of its domestic Bermuda-based operations.

The group currently employs 95 people of whom about 60 are involved in Treasury, money market and trust company operations, the latter conducted through the bank's 60 per cent-owned subsidiary, International Trust Company of Bermuda. "Bermuda is an investment centre," says Mr Shadrach. "Vast amounts of money are held here by insurance companies and the large trading companies and a lot of business is in investing these funds."

Technology

Despite the differences in size and some subtle differences in emphasis, Bermuda's three banks share many things in common.

All three are also investing heavily in technology—installing automated teller machines to serve their local retail customers and putting in sophisticated computer systems to enhance the quality of their corporate and trust services. At Butterfield, for example, Mr Norman Jones, Chief general manager, and Mr Kempe say the group has invested "several millions" in new technology in recent years.

The banks are using this computing power to improve the wide range of services they offer, including money management, trust and fiduciary services, custodian services and foreign exchange trading. They are also expanding their international business, particularly in areas such as letters of credit and guarantees.

Bermuda banks also have other things in common. All three are generally well and conservatively managed, profitable and deposit-rich suppliers of funds to the interbank markets.

But these high levels of cash balances can also create their own special problems. Because of their high liquid balances the performance of the Bermuda banks crucially rests on deposit growth rates and net interest margins. Volatile market interest rates can cause sharp swings in the Bermuda banks' earnings and profitability.

Thus Bank of Bermuda's return on equity peaked at a spectacular 32.2 per cent in fiscal 1982, the year after Butterfield's return on equity hit a peak of 30 per cent.

At Bank of Bermuda net earnings, after peaking at $19.7m in 1983, slipped to $12.18m in fiscal 1984 under the pressures of falling interest rates resulting in flat net interest income and higher costs and expenses. In the latest fiscal year to end-June, the group managed to lift net income by 27 per cent $15.4m and post a still very respectable 16.09 per cent return on equity.

Meanwhile, Butterfield's net income has slipped slightly in each of the past three fiscal years from a peak of $12.8m in 1982 to $11.25m in the latest fiscal year. The banking group blamed an 8.6 per cent decline in net income in the last fiscal full year on "increased operating expenses together with the lowering of interest rates which we earn on overseas balances." In the latest fiscal year the bank's role was 15 per cent.

In an effort to become less interest rate sensitive and augment net interest income—in the process providing a more stable earnings flow—the Bermuda banks have turned increasingly to off-balance sheet financing and fee-generating activities.

At both the Bank of Bermuda and Butterfield net interest income remains the largest source of earnings. But the gap is narrowing. At Bank of Bermuda, for example, fees and other revenues last year totalled $33.3m, up 25 per cent over the previous period, and now account for 47.5 per cent of total revenues compared to 45.2 per cent in fiscal 1984.

Combined balance of Bermuda's banks

	1982 $m	1983 $m	1984 $m	1st qtr 1985 $m
COMMERCIAL BANK ASSETS				
Cash and demand deposits with banks	310	163	499	481
Time deposits	3,037	3,349	3,382	3,393
Investments	58	117	66	70
Loans and advances	459	516	583	608
Premises and equipment	26	35	38	40
Other assets	393	469	568	594
Total	4,283	4,649	5,136	5,188
COMMERCIAL BANK LIABILITIES				
Demand deposits	897	939	970	936
Time and savings deposits	2,905	3,116	3,474	3,529
Other liabilities	393	474	557	568
Capital and reserves	88	120	135	155
Total	4,283	4,649	5,136	5,188

Research: Rivka Nachoma.

A need to increase volume

Electronic futures

PAUL TAYLOR

AFTER JUST over a year in operation Intex, the Bermuda-based automated futures exchange, is preparing to broaden its range in an attempt to achieve profitability and begin to deliver on its potential to revolutionise the international futures markets.

The computer-based exchange, the first of its type in the world, finally began operations in October last year, after years of frustrating delay. Initially, the exchange traded a single contract—a 100 oz gold futures contract identical to the actively-traded New York Comex contract.

But despite the opening fanfare, trading in the gold futures contract has remained slow with daily contract volume averaging only about 150 to 175 lots. In part the low volume reflects the unfortunate timing of the Intex start-up.

Mr David Thompson, Intex general manager and vice-president, says that the Bermuda exchange nevertheless remains committed to the gold futures contract. More importantly, he says the first year of trading at Intex has helped the system prove itself.

The real accomplishment in the first year, he says, is in becoming established. "People no longer question the integrity of the system." Now, Mr Thompson says, the exchange is turning its attention towards expanding and offering innovative products.

Intex introduced the first of these in May this year, a freight futures contract in conjunction with London's Baltic Exchange. The Intex Ocean Freight rate (OFR) futures contract is based on the established Baltic Freight Index (BFI) and provides an important new hedging tool for shipowners, charterers and brokers.

Mr Thompson says the Intex OFR contract—valued at $10 per full index point—"has gone extremely well." In the first few months of trading contract volume grew steadily and is now averaging 230 contracts a day and hitting between 700 and 800 contracts on busy days

Already Intex has plans for a US stock index contract based on the financial news composite index (FNCI or 'Fancy'), an index developed by the Financial News network, a US cable television group. Intex has won the blessing of the US commodity futures trading commission (CFTC) for the new contract plans to start trading the FNCI stock index future this month or next.

Although the contract will face fierce competition from better-established stock index futures traded on most US futures exchanges, Mr Thompson believes that the index's simplicity and close corellation to the Dow Jones industrial average will appeal to individual investors.

"We are going after the retail market," he says. Intex has also done a deal with the Pacific Stock Exchange which will trade an option on the FNCI futures contract.

Intex has plans to trade a fourth futures contract, a US Government zero coupon, and says it is actively looking at other possibilities including foreign exchange futures. In the meantime, the exchange is looking at other ways of raising revenues including links with other exchanges and marketing its software, support and trading system built around two digital equipment Vax 780 computers in its Bermuda headquarters—to other potential users. With a system that can handle up to 70,000 trades an hour, Intex has plenty of spare capacity.

So far, only 55 terminals, mostly in the US and Britain, are hooked up to the system, and with volume still sluggish Intex is not expected to make a profit until 1987. But Mr Thompson insists that Intex is seeing growing interest and participation — aided in part by favourable US tax treatment.

The exchange's biggest shareholder is its chairman, Mr Earl Brian, a US venture capitalist, but Dominion International, the British company, acquired a 25 per cent stake in the venture last year for $3m.

Since then Intex has raised a further $5m through a private placement of 1.25m shares completed earlier this year through Samuel Montagu, the UK merchant bank. As a result, Mr Thompson says, the exchange has "substantially more shareholders."

Surge of interest from the US

Insurance—captive companies

PAUL TAYLOR

THE INSURANCE industry in Bermuda, like its counterparts on both sides of the Atlantic, has been going through some tough times in recent years. But today, industry executives cautiously suggest, the worst may be over and they argue that Bermuda's insurance sector is poised to rebound.

Bermuda insurance managers have watched premiums soar in response to a sharp reduction in underwriting capacity. As a result they report a new surge of interest in the Bermuda market — particularly among major US industrial companies and trade groups considering setting up new "captive" insurance companies.

Such moves, coupled with bold new underwriting initiatives, could help reverse the contraction in the Bermuda insurance industry over the last few years and help set the local economy moving again.

At the same time local insurance executives like Mr Robin Spencer-Arscott, president of Frank B. Hall's Bermuda operations, suggest that the Bermuda insurance sector could emerge stronger, wiser and more professional as a result of its recent well publicised problems. "The industry in Bermuda," he says, "has returned to sanity."

Bermuda ranks as the world's largest "captive" insurance market and the sector's dramatic early growth, beginning in the late 1960s, was one of the key developments helping to turn the islands into an offshore financial centre. According to Bank of Bermuda estimates, some $6.5bn in insurance premiums flows into Bermuda each year — most of it through the captives created by US corporations.

The local market is made up of about 1,200 insurance and reinsurance companies, of which about 1,000 are captives —insurance companies formed by non-insurance groups to insure or reinsure the parent company's risk. By forming these units non-insurance groups, which include most of the Fortune 500 industrial companies, have been able to reduce and more closely control their insurance costs.

The attractions of setting up a captive insurance operation in Bermuda are many and varied. One advantage is that a corporate parent with a good risk record may be able to obtain cheaper coverage by placing its insurance needs through an in-house captive than by going to an independent insurer whose claims experience with similar industrial companies may have become tarnished.

Other reasons recently put forward by a major international accounting firm for forming a Bermuda captive include risk retention and management and loss control, cash-flow benefits, access to the reinsurance market, unavailability of local coverage, diversification into a profit centre, unbundling of services and reduction of government regulations and restrictions.

More controversial tax benefits also used to be cited by some. The absence of income tax, corporation tax, withholding tax, tax on profits and most other forms of tax was arguably a factor in the growth of the Bermuda captive movement since it allowed the insurance subsidiaries of overseas parents to operate in a highly tax-efficient manner—building up reserves to meet future possible claims.

Law suits

But lawmakers, the courts and the inland revenue service in the US have steadily reduced or eliminated many of the tax advantages of Bermuda captive insurance operations. Pending law suits and the possibility of further US tax legislation threaten to challenge the few remaining tax benefits of such operations.

A few Bermuda captives have already learned that lesson to their cost. A key IRS ruling in the late 1970s, covering the allowances for premiums paid by companies to their insurance captives, added impetus to a trend among Bermuda captives to reduce their reliance on in-house business and expand into third-party or unrelated risks.

Some Bermuda insurance veterans also suggest that a few Bermuda companies ran into problems because of poor and inexperienced management teams which failed to recognise that much of the underwriting business shown to Bermuda companies was of poor or dubious quality and had already been rejected elsewhere. Today Bermuda's insurance managers repeatedly emphasise that selectivity and professionalism is the key to survival and prosperity in the tough insurance market.

In any event the industry's recent worldwide problems apparently caught some Bermuda companies off guard. Among the first to suffer was Walton Insurance Company, Philips Petroleum's Bermuda-based captive, which was hit by heavy losses in 1983 resulting in its decision to stop accepting non-related business and began winding down its Bermuda operations.

The Walton has become something of a cause celebre in the Bermuda insurance market. Formed in 1971, the firm expanded rapidly into non-related business. By the end of 1982 its book of non-related business—much of it large lines of aviation business—was five times the amount of business related to its parent oil company.

In the wake of the Walton affair there have been other disasters including Cambridge Re, an insurance captive owned by Canadian-based National Sea Products, which stopped underwriting in April 1984 and has since gone into liquidation. More recently, Mentor Insurance, owned by New Orleans-based Ocean Drilling, stopped writing new insurance a year ago and is now being compulsorily wound up by the Bermuda government amid a flurry of law suits.

Other captives have scaled back operations over the past six years, but not always because of losses. Mr Clayton Cormier, president of Ancon Insurance, Exxon's huge and profitable Bermuda captive which is retrenching, explains that there have been four major reasons for the sharp underwriting capacity shrinkage in Bermuda over the past 2½ years.

These are, first, poor results, like those at Walton. Second, policy decisions like as at Exxon. Third, acquisitions and mergers as in the case of Gulf Oil's Insco captive insurance company which announced a year ago that it was stopping all reinsurance activities and would eventually close its offices in Bermuda. And, finally, expenses — related, like Continental RE's decision to relocate some Bermuda operations to New York.

Ancon, which moved to Bermuda from Cuba in 1959, was easily Bermuda's biggest captive with about $1bn in assets and more than $110m in net premiums written until last year. But in 1984 Mr Cormier says Exxon "took another look and decided as a policy decision that it did not want to expand the non-related business," which had been built up in a modest way beginning in 1980 to total about 25 per cent of its business.

Special dividend

As a result Ancon stopped writing or renewing non-related business from October 1984. In the process Exxon repatriated $400m of the insurance subsidiary's retained earnings in the form of a special dividend. Today Ancon is continuing to cover Exxon's non-US insurance needs, retaining the risk or reinsuring mainly through Lloyd's, but, because of tax changes in the 1984 US Tax Act, does not handle Exxon's US domestic risks which are now self-insured.

But in contrast some other major Bermuda captives have been actively—if selectively—expanding their business. For the well-established and mature Bermuda insurance groups, including those companies like GTE Re-insurance — whose non-related business now accounts for over 70 per cent of its total — and Heddington Insurance, Texaco's Bermuda captive, the new market environment appears to offer substantial opportunities.

Following Ancon's downsizing, Heddington has emerged as the "largest captive in the world" with $40m in capital and assets at the end of last year of almost $700m.

Heddington, which handles Texaco's expanded business following the Getty oil acquisition, has expanded into non-related risks on what Ms Monica Dobbie, a senior vice-president at Heddington brokers, calls "a very conservative basis" — mostly sticking to energy risks. Non-related business now accounts for about 35 per cent of gross premiums written.

Bermuda insurance companies

(Year-end results in $000)

Business written	1984	1983	% change
Gross premium	7,584,220	6,522,105	+16.3
Net premiums	5,449,490	4,706,405	+15.8
Total assets	22,194,220	17,089,280	+29.9
Capital and surplus	9,929,410	8,359,730	+18.8

Source: Bermuda Government.

Changes on stamp duty tax

ONE OF the key challenges facing Bermuda is to maintain its competitiveness as an offshore financial centre. The most pressing change the international business community has been pressing for is a reduction in the level of stamp duty tax levied by the government on personal trusts, mutual funds and unit trusts, and "exempted" insurance companies.

Six months ago Dr Clarence James, Bermuda's Finance Minister, set up a joint committee of finance industry and government representatives to review stamp duty regulations to "remove any serious impediments" to international business.

Following the report of the joint committee, the Minister is expected to announce the following changes—in the form of new regulations—within the next few weeks. In each case stamp duty paid before the regulations become effective will be counted as a credit towards the respective ceiling of threshold.

- Personal trusts: A maximum ceiling of $4,000. Currently $250 in stamp duty is payable when a personal trust is set up, together with an ad valorum duty of one-tenth of the value of any non-Bermuda property contributed.
- Mutual funds and unit trusts: From the start of next year mutual funds and unit trusts will pay stamp duty at the rate of one-tenth of one per cent on the issue price of any new shares. However, a new threshold of $25,000 will be introduced. Once $25,000 in duty has been paid the rate will drop to one-twentieth of one per cent.
- Exempted insurance companies: A $25,000 cap is to be imposed on the stamp duty payable on the authorised share capital of newly formed insurance companies. The Finance Minister will have discretionary power to waive this duty, wholly or in part, where regulatory factors in other countries mandate the formation of a intermediate holding company as the parent of the Bermuda company.

Currently, exempted companies pay stamp duty at the rate of one quarter of one per cent on their authorised share capital, together with duty at the same rate on the share premium component of the issue prices of its shares.

PAUL TAYLOR

Extensive range of activities

Insurance—ancillary services

PAUL TAYLOR

THE RAPID growth of Bermuda as an offshore insurance centre has resulted in the development of an extensive range of ancillary services, including captive management, broking and reinsurance operations, accounting firms and lawyers to support the captive insurance industry.

Among the overseas brokers with local Bermuda operations offering captive management services are Johnson and Higgins, which is the largest captive manager in Bermuda with about 140 companies on its books; Marsh and McLellan, Alexander and Alexander, which recently merged with Reed Stenhouse and took over Reed Stenhouse's Insurance Managers subsidiary; and Frank S. Hall.

In addition, there is a wide range of other locally based captive management firms, including Argus Insurance, a local Bermuda insurance group offering a full line of insurance services and a captive management facility through its Argus International management company, and Hanna Insurance Management, a Bermuda subsidiary of the US-based M. A. Hanna group which acquired Altimed Management in September and ranks as about the fifth largest captive manager, with 70 clients on its books.

Among the other industry specialists are companies like C. E. Heath's independent Bermuda subsidiary, Pinnacle Reinsurance, which is a professional reinsurer specialising exclusively in retrospective and prospective aggregate covers and run-off reinsurance.

These in turn are serviced by the Bermuda-based operation of all the major accounting firms together with nine firms of local lawyers.

Typically the captive managers provide a full range of services to their overseas clients for a fee—often until the captive insurance company grows big enough to manage its own operations and systems.

Frank B. Hall for example, was one of the first brokers to establish a captive management operation in Bermuda in 1967 called Parker & Co-Interocean which offers a broad range of services including organisation, administration, accounting, management, underwriting, reinsurance and related work.

Among its biggest clients is Grumman, the US aerospace group, whose Paumanock Insurance company, with assets of more than $81m, operates solely as a reinsurance company. Last year Paumanock, in expectation of a market correction and the belief that "an adequate and strong security position will become a more important factor," strengthened its balance sheet for the fourth time in 12 years by doubling its share capital to $20m—adding $10m from retained earnings.

Since Frank B. Hall entered the captive management business it has dramatically expanded its Bermuda operations. In 1980 the Bermuda group reorganised and formed an underwriting agency, Frank B. Hall (underwriting managers), to underwrite captive clients' non-related business and in 1982 set up Frank B. Hall (intermediaries) to act as a reinsurance intermediary to develop business from the US and UK markets offered to professionally-run Bermuda reinsurance companies. Finally, the Bermuda group added a data processing division to service the operating companies.

Optimistic

Mr Spencer-Arscott, president of Frank B. Hall's Bermuda operations says he is "very optmistic" about the future, now that the business has "stabilised." Like other local insurance experts he believes that the Bermuda industry is emerging stronger and healthier as a result of its past problems.

He also believes Bermuda has managed to improve the regulation of the insurance sector without imposing too many constraints. Backed by new legislation—which among other provisions, gave the insurance advisory committee additional powers to vet net entrants and beefed-up reporting requirements—Mr Spencer-Arscott claims: "Bermuda is as well or better regulated than London or New York."

But there are big differences in the range, style and business philosophy of the captive managers. For example, some like Argus Insurance, discourage their clients from taking on their party underwriting risks, while others actively encourage it, on a controlled basis.

Mr John Sainsbury, Argus's managing director, explains: "We do not believe that Bermuda is the place to do non-related underwriting. The place to do that is London." He argues that many of the local industry's problems in recent years stemmed from "poor rates, poor underwriting, and the poor selection of business shown to local underwriters."

He adds: "The business seen here is not as good as in London and even at the centre of the hub they can't make it."

Mr Sainsbury also has strong views on the future of the captive movement itself. Single-parent captives, he says, "are a thing of the past" unless they are highly capitalised and assume more of the risk themselves.

While other captive managers would challenge some aspects of this assessment, there is widespread agreement that a number of specific trends—mostly driven by market conditions—are emerging within the Bermuda captive insurance industry.

Among these are a marked step-up in the number of new insurance registrations and the rejuvenating of dormant captives — both moves indicating the lack of available insurance coverage on some lines in the US and soaring premium prices.

According to the latest figures available, 66 new Bermuda insurance companies were incorporated last year — a net gain of 31 after allowing for those being wound down and liquidated.

Mr David Brown, president of Insurance Managers, which, after combining with Alexander and Alexander's operations, now has about 90 captives on its books and employs 65 people in Bermuda, says: "Captives are being looked at again." and adds, "we are certainly bullish at the moment."

Second, there is particular interest in the formation of captives by US groups of individual companies with similar lines of business and trade associations seeking better and cheaper coverage for their members.

There are probably over 100 of these association captives already operating in Bermuda. Typically the insurance risk of the association is channelled through direct insurance groups in the US while a reinsurance programme is arranged on the association's business with the Bermuda captive.

Insurers in the US or elsewhere are more willing to take the risk because the exposure is limited and there is a guaranteed pool of reinsurance while the costs to association members are reduced because collectively they have more purchasing power.

The renewed interest in association captives also highlights another trend in the Bermuda market — a move towards higher-capitalised captives.

This is apparent not only among existing captives — the 1984 industry figures show an 18.8 per cent increase in the capital and surplus of Bermuda's insurance companies compared to a 15.8 per cent increase in net premiums — but also among prospective industry new entrants.

Contracted

"New companies are having to put up more capital because they have to retain more risk than before because the reinsurance market has contracted," says Mr Stuart Grayston, president of Hanna Insurance Management and of the Bermuda Insurance Association, an industry umbrella group.

This reduction in reinsurance capacity, which Mr Grayston terms "dramatic and probably rather permanent," is also leading to an explosion in new captive pooling and other risk-sharing arrangements in which risks un-related risks can be strictly controlled.

Hanna insurance itself offers two of these type of facilities, Corporate Insurance and Reinsurance Ltd, a Bermuda Company which retains risk itself, and the Risk Exchange Association, a facility set up by Act of Parliament and backed by the Scandia group, which does not retain risk and is only accessible to members.

Members of the exchange can cede business through the facility and accept business through it on a facultative basis, but Mr Grayston emphasises that not every submission by members is accepted and says, "about a third are turned down."

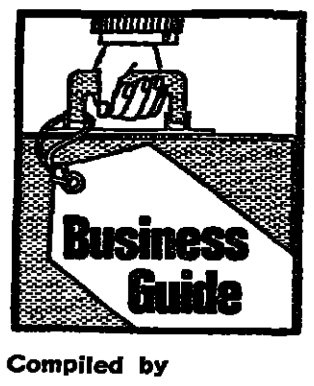
Recently several other pooling arrangements have been established. Among these are those set-up by Mr Fred Reiss, Johnson and Higgins' Victoria underwriting facility, and American Capacity and Excess (ACE), a potentially high-powered, high-capacity pooling arrangement with a very high level of deductible being put together by a former Cigna Insurance executive.

Mr Grayston believes the Bermuda insurance market of the future will comprise highly-capitalised captives, self-insuring some of their risks and backed by pooling arrangements to take up the rest.

"Bermuda has started to grow up," he says. "It has come of age and it is a real honest-to-goodness insurance centre. It has come through its first crisis, it has come through its first series of insurance failures.

"I think we are a stronger, more professional group on the ground now in Bermuda because we have learned from experience—some of us have learned from the school of hard knocks."

How to get there, where to stay and where to eat



Compiled by Rivka Nachoma

CURRENCY: Bermudan dollar, 100 cents = BDS1 (linked to USS which is also in general circulation.

Currency regulations: Import only US and Canadian currency.

Entry requirements: Passports are not necessary for citizens of the US or Canada. US citizens must have one of the following documents: valid or expired passport, a birth certificate, a US voter's registration card with bearer's signature, US naturalisation certificate, or a US alien registration card. Canadian citizens must have one of the following: passport, a birth certificate, or a certification of citizenship.

A valid passport is required for citizens of all European countries. Visas are not required except by Eastern bloc nationals and those from Argentina, Nicaragua, Iran and Cuba.

All visitors may remain up to three weeks from arrival. Permission to stay longer granted through immigration officials at Bermuda Airport on arrival. To stay indefinitely, it is necessary to apply in advance to the Chief Immigration Officer, Ministry of Home Affairs, PO Box 1364, Hamilton 5, Bermuda.

Customs Allowances: Import of 200 cigarettes, 50 cigars, 1 lb tobacco, 1.137 litres of spirits, 1.137 litres of wine.

Time: Bermuda is one hour earlier than Eastern Standard Time (one hour earlier than New York and four hours later than London). Daylight Savings Time from the last Sunday in April to last Sunday in October.

Airlines: Air Canada, American, British Air, Delta, Eastern & Pan Am.

Car Hire: Not available. Use a taxi or rent a moped.

Business hours: *Offices: 09.00-17.30* (Monday to Friday). Shops: 0.9.00-17.30 (Monday through Saturday) with some local variations. Banks: 09.30-15.00 (Monday through Friday) plus 16.30-17.30 (Friday). The business language is English.

Daily newspaper: Royal Gazette. Weekly papers: Bermuda Sun & Mid-Ocean News (both published Friday).

Climate: Semitropical; December through March average temperature 68 deg F; July through September 84 deg F; humidity ranges from 70 to 80 per cent.

Holidays observed: New Year's Day (Jan 1); Good Friday; Easter; Bermuda Day (May 24); the Queen's Birthday (1st or 2nd Monday in June); Cricket Cup match days (Thursday & Friday preceding 1st Monday in Aug); Labour Day (1st Monday in Sept); Christmas Day; Boxing Day (Dec 26).

Public holidays that fall on Saturday or Sunday are usually celebrated on the following Monday.

Water: Tap water is safe to drink.

Electricity: 110 volts, AC, 60 cycles.

Credit cards: Mastercard, Visa, American Express, Diners Club.

Vaccinations: Only smallpox, if arriving within 14 days from an infected country.

Useful addresses/telephone numbers: (when in Bermuda, dial only the last five digits). Chamber of Commerce: Box 655, Hamilton 5-31/1 (809) 295-4201; *Registrar of Companies:* Government Administration Building, Parliament Street, Hamilton/1 (809) 295-5151; US Consulate: Vallis Bldg; Front Street, Hamilton/1 (809) 295-1342;

Tourist Information Office: 113 Front Street, Hamilton/1 (809) 292-0023, Bank of Bermuda: Front Street, Hamilton/1 (809) 295-4000; Bermuda Commercial Bank: 44 Church Street, Hamilton/1 (809) 295-5678; General Post Office: Church Street, Hamilton 1 (809) 295-5151; American Express representative is L.P. Gutteridge, Bermudiana Road/1 (809) 295-4545.

Bermuda Pharmacy: Church Street West, Hamilton/Tel: 5-5815.

Additional telephone numbers:
Police 2-2222.
Fire: 900
Ambulance: 6-2000.
Hospital: 6-2345.
Time and temperature: 909.
Weather: 977.
"What's on in Bermuda": 974.
Cable and Wireless office: 5-1815.

HOTELS:

The Belmont Hotel and Golf Club: PO Box 257, Warwick 7. Tel: 1 (809) 296 1301. (Rates, depending on the season, from $100-$220 EP). The Bermudiana Hotel: PO Box 842, Hamilton 5. Tel: 1 (809) 295 1211. (Rates, depending on the season, from $80-$185 EP); The Princess: PO Box 837, Hamilton 5. Tel: 1 (809) 295 3000. (Rates, depending on the season, from $100-$200 EP).

Elbow Beach Hotel: PO Box 455, Paget Parish. Tel: 1 (809) 296 3535. (Rates, depending on the season, from $102-$354 MAP); Inverurie Hotel: PO Box 1189, Paget Parish. Tel: 1 (809) 296 1000. (Rates depending on the season, from $75-$220 MAP). Sonesta Beach: PO Box 1070, Southampton. Tel 1 (809) 298 8122. (Rates, depending on the season, from $150-$335 MAP); Southampton Princess: PO Box 1370, Southampton. Tel: 1 (809) 298 8000. (Rates, depending on the season, from $120-$275 EP).

RESTAURANTS:

The Airium. (Continental) 37 Reid Street, Hamilton. Tel: 5-8592; *Harbourfront: (Seafood)* Front Street, Hamilton. Tel: 6-4207; Romanoff: (Continental) Church Street, Hamilton. Tel: 5-0333; Lobster Pot: (Seafood) Bermudiana Road, Hamilton. Tel: 2-6898; Tiara Room: (Continental) Princess Hotel, Hamilton. Tel: 5-3000); Little Venice: (Italian) Bermudiana Road, Hamilton. Tel: 5-3503; Penthouse (Continental) Front Street, Hamilton. Tel: 2-3414. Once Upon a Table: (Continental) 49 Serpentine Road, Hamilton. Tel: 5-8585; The American Cafe: (American) Bermudiana Hotel, Hamilton. Tel: 5-1211; The Norwood Room (Continental) Stonington Beach Hotel, Paget Parish. Tel: 6-5416; Fourways Inn: (French and Bermudian) Middle Road, Paget. Tel: 6-6517; *Carriage House: (Seafood)* Somers Wharf, St. George's. Tel: 7-1730; Chopsticks: (Chinese) Water Street, St George's. Tel: 7-1125.

The Greenhouse: (Continental) Sonesta Beach Hotel, Southampton Parish. Tel: 8-8122; Newport Room: (International) Southampton, Princess Hotel, Southampton. Tel: 8-8000.

TIPPING:

To 15 per cent (if not included in the bill); Porters BD$1.

The Princess Hotel, facirg on to Hamilton' harbour

Businesses registered in Bermuda*

	Local †	International exempt	International exempt partnership	International non-resident	International non-resident insurance	Total international
1982 ...	1,002	4,959	42	606	30	5,607
1983 ...	1,063	5,162	47	619	30	5,858
1984 ...	1,096	5,250	50	611	27	5,938
1st Q 85	5,359	5,359	50	606	27	6,042
2nd Q 85	1,159	5,250	55	566	27	5,898

* Net of companies in process of liquidation.
† Does not include unincorporated enterprises.

BANKS
The Bank of Bermuda, 6 Front Street, Hamilton 5-31. Tel: (809-29) 54000. Telex: 3212 BA. The Bank of Butterfield, 65 Front Street, Hamilton 5-31. Tel: (809-29) 51111. Telex: 3211 BA. The Bermuda Commercial Bank, 44 Church Street, Barclays International Building, Hamilton 5-24. Tel: (809-29) 55678. Telex: 3336 BA.

LEADING LAW FIRMS
Conyers Dill and Pearman, Clarendon House, Church Street, Hamilton 5. Tel: (809-29) 51422. Appleby Spurling and Kempe, 30 Cedar Avenue, Hamilton. Tel: (809-29) 52244.

ACCOUNTANTS
All the big eight accounting firms have representation in Bermuda, including:
Coopers & Lybrand, Dorchester House, Church Street, Hamilton. Tel: (809-29) 52000. Arthur Young, 129 Front Street, Hamilton. Tel: (809-29) 52400. Touche Ross, PO Box 279, Atlas House, Reid Street, Hamilton. Tel: (809-29) 27200.

CHAMBER OF COMMERCE
Bermuda Chamber of Commerce, PO Box 655, Hamilton 5. Tel: (809-29) 54201. Registrar of Companies: Ministry of Finance, Government Administration Building, Parliament Street. Hamilton. Tel: (809-29) 55151.

Doing business: how the system works

OFFSHORE investors interested in doing business in, or more commonly from, Bermuda, have a choice of three corporate vehicles:

They can either form a local company, an exempted company or a permit company, a type sometimes referred to as a non-resident company.

If the plan is to trade within the island's domestic economy and ultimately hold land in Bermuda, a local incorporation is not just the right vehicle but the only one of the three allowed to engage in all forms of business and own a piece of the colony. Minimum share capital is $12,000.

But the deterrent to forming a local company, at least for foreign investors, is the 1981 Companies Act's 60-40 rule which requires at least 60 per cent Bermudian ownership. Exempted companies, as the term implies, do not have to comply with this requirement. They are the most popular vehicle *of the three* for non-Bermudian investors and there are close to 5,500 of them currently in operation.

They are allowed to do business among themselves and with parties outside Bermuda, but cannot compete with local companies for domestic trade. Exempted companies can obtain immunity against profits or income tax under the Exempted Undertakings Tax Protection Act of 1966 which guarantees freedom from such taxes until 2006.

Minimum share capital is $12,000, which does not have to be fully paid. But if an exempted company wants to engage in insurance business, as do roughly 20 per cent of all Bermuda's exempted companies, then minimum capital requirements are substantially higher.

Insurers engaging in general business have to show paid-up capital of at least $120,000. In the case of long-term business, mainly life or other business written without time limits or for periods exceeding five years, *the* minimum is $250,000. And for those doing a mix of general and long-term business the minimum capital requirement is $370,000.

Setting up a business

ROGER SCOTTON

All exempted companies formed must pay stamp duty on minimum capital at incorporation *at the rate of* a quarter of 1 per cent.

The colony's roughly 600 permit or non-resident companies, by comparison, are companies incorporated outside Bermuda which have been granted a special licence by the Minister of Finance to *trade in or from Bermuda.* Examples of these include Commercial Union Assurance, which has been operating on the island for more than a century, and American Casualty Excess Insurance, a catastrophe insurer recently incorporated in the Cayman Islands but which trades from offices in Bermuda.

Before 1970 exempted companies could be incorporated in Bermuda only by an Act of Parliament. This is still the case for companies seeking powers beyond those *provided for in current legislation.* But for most companies the usual way is the relatively simple and far quicker process of incorporation by registration.

This involves the publication of an advertisement in an approved Bermuda newspaper *stating the proposed* company's name, whether it is to be an exempted or a local company and the main objectives of the organisation.

Once the advertisement has appeared, an application to incorporate may be filed with Bermuda's Registrar of Companies *in the Ministry of* Finance. Insurance applicants are required to give details of their proposed operation while all applications must include a memorandum of association of the company along with bank references.

The application is reviewed by the Registrar and the Bermuda Monetary Authority, which is responsible for foreign exchange control and maintains strictly confidential files on beneficial ownership.

On insurance applications, *the Registrar looks carefully at* capital adequacy, premium volume and its relationship to losses, the nature of the business to be written and the proposed reinsurance arrangements.

All insurance-related applications, including underwriting, management and broking operations, are also vetted by the Insurers Admissions Committee—a sub group of the Insurance Advisory Committee formed to advise the Minister of Finance on the application of the island's insurance laws. The admissions group will often require more detailed information about a proposed insurance project and will usually request a meeting with the applicant's representatives.

The entire screening process is usually completed within a month and, with the exception of the more complicated insurance schemes, can often be wrapped up inside two weeks.

Marketing to meet shortfall

Tourism

ROGER SCOTTON

BERMUDA doesn't ask for many tourists. A mere half a million spending lavishly in the hotels every year and another 120,000 or so aboard visiting cruise ships will keep the economy ticking over quite nicely and the Tourism Minister, Mr Irving Pearman, reasonably happy.

And it is debatable whether the island's 10,000 to 12,000 hotel bed capacity and limited berthing facilities could cope with many more. Yet in each of the past four years the resort colony has consistently failed to hit the target for hotel guests, by far the most economically important of the two groups, and is likely to be about 50,000 short of it this year.

Since 1980, Bermuda's golden year which saw more than 609,000 spend their holidays and their dollars here, the industry has behaved in roller-coaster fashion.

Appeal

The most commonly-blamed culprits are high domestic prices and the unrelenting strength of the US dollar. Together they have increased the appeal of Mexico and Europe for North Americans *who make up the majority of* Bermuda's holidaymakers.

Time to alter the product? Not according to Mr Irving Pearman, the Tourism Minister, who thinks that only the marketing needs to change.

"We are not going to be changing Bermuda and there will not be cheap hotel rates," he says emphatically. "We are reaching for the client who can afford a Bermuda holiday, who is prepared to pay rates 40 per cent or more higher than elsewhere."

He also points out that government has no intention of lifting a 1972 moratorium on hotel construction.

He says cruise ship business has strengthened significantly this year and predicts further growth in 1986 when liners will be in port seven days a week as opposed to five this year. Many of their passengers go on to become regular vsitors to Bermuda, making up roughly 15 per cent of the tourists who fly in for their holidays.

Despite recent research showing that cruise passengers spend more in the island's shops than hotel guests, many businessmen and government officials remain convinced that people who arrive by air are worth more to the economy than those who come by sea.

The argument is difficult to fault. Official figures show that $206.4m was spent in Bermuda by air arrivals in the 1983-84 fiscal year out of total spending of $332.3m.

Mr Pearman concedes that the increased cruise ship trade, though always welcome, is a stop gap, a temporary measure aimed at propping up the industry until the number of hotel guests, a more affluent group confusingly referred to in the trade's jargon as resident visitors, can be built up.

How will he do it?

By beefing up marketing and developing a presence in areas *of the United States,* which he says have never been fully explored for potential.

"We have signed a two-year contract with a major agent in California who will be establishing a Bermuda desk," he explains. "California is our ninth largest supplier of American business. We will also be seeking more support in Florida, which is our seventh-largest supplier."

Additionally, a travel agent incentive scheme has been developed to give agents in the US what Mr Pearman calls "up-front promotional dollars" for local advertising, as well as the standard 10 per cent commission.

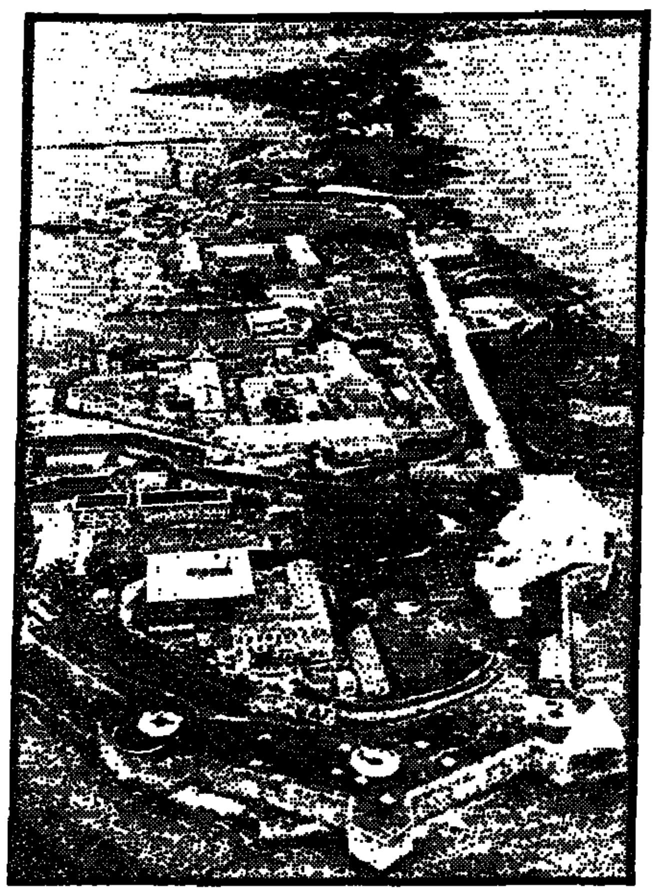
But the industry has not been completely trouble-free. Last month's collapse of the holiday wholesaler Halmar led to an emergency bail-out of several hotels that cost the Government about $2m. Though the money is to be repaid and Government has been widely praised for coming to the industry's rescue so promptly, the Halmar affair has raised important questions which have still to be answered.

By far the most important of these concerns the future security of holiday business flowing through other wholesalers.

But there remains one, so far elusive, pot of gold which Bermuda would dearly love to *get its hands on*—the American convention business.

Though too small to cope with the thousands who attend mass gatherings such as the American Bar Association's annual event, Bermuda feels it could easily handle smaller gatherings, particularly during the winter months. But US tax regulations, which do not allow deductions against the cost of conventions held in Bermuda, have kept this lucrative trade away.

But Mr Pearman now has high hopes that this will change. Legislation presently being introduced in the US Congress would make Bermuda convention expenses tax deductible and, the Minister predicts, leave the colony between $40 and $50m a year better off.



Ireland Island, where hte dockyard was a key naval link in the days of the British Empire

Bermuda tourism

Arrivals (000s)	1982	1983	1984
US	480.6	500.2	463.3
Canada	32.0	37.8	39.5
UK	19.3	16.6	15.0
Europe	6.4	7.4	6.0
All other countries	6.1	5.7	5.0
Total	544.4	567.7	528.8
Number of beds	9,578	9,603	9,502
Average stay (nights)	5.2	5.0	4.9
Visitors' expenditure ($m)	304	335	337
Hotel occupancy rate (%)	59	64	60

Research: Rivka Nachoma.

Satellite link aids business customers

Communications

PAUL TAYLOR

BERMUDA'S location, in the middle of the Western Atlantic, has made the island an important telecommunications centre — as well as *a vital strategic* base for the US and Nato.

The island's role as a telecommunications centre is strikingly highlighted by Cable & Wireless's new 120-ft high earth station satellite dish commissioned last year. The Marconi communications systems state-of-the-art Standard "A" earth station is at the hub of Cable & Wireless's Bermuda international telecommunications network providing access to an Intelsat V satellite in geostationary orbit 22,375 miles above the Equator over the Atlantic Ocean.

In conjunction with three submarine cables that link Bermuda to the US, Canada and the Caribbean, the Devonshire earth station provides Bermuda with sophisticated voice and data communication links with the rest of the world — as well as improving the islands' ability to *help track Nasa space shuttle* launches down-range from the Kennedy Space Centre in Florida.

For the UK-based Cable & Wireless group, which began operations in Bermuda 95 years ago, the $20m earth station is the latest in a series of major investments in Bermuda aimed at keeping pace with the rapidly expanding demand for telecommunications services and with the technological requirements of the islands' off-shore businesses.

According to Mr Cornell Fox, Cable & Wireless's local *marketing* manager, international telephone traffic has been growing at 14 per cent annually over the last two years —down from a heady 17 per cent growth rate previously — while the telex traffic generated by the islands' 540 telex customers has "levelled off," resulting *the movement towards* computer-based electronic mail.

To meet this demand Cable & Wireless offers high-speed data-links for business customers and markets a service called International Database Access Service (IDAS) which allows customers to access North American electronic databases such as Dow Jones news retrieval and Reuters as well as remote computer processing facilities and electronic mail systems like Easylink run by Western Union.

In addition, the Devonshire earth station provides the *ability* to provide live television links with the rest of the world and the capacity for teleconferencing.

To provide the link to Bermuda's local telephone service, a fibre-optic cable has been laid between the Devonshire site and Hamilton which ties into the Bermuda telephone company's digital exchange.

Overall, Bermuda's local and international telecommunications services win high praise from local business leaders. Under a new 11-year licence agreement signed this summer, Cable & Wireless's international traffic also generates volume-based revenues for the Bermuda Government for the first time.

Bermuda's role as a strategic base for the US and Nato is somewhat more controversial locally — even though the military presence is very "low profile."

The island has played an important defence role for many years, first for the British and now for the Americans and Nato. As British interest in her colonial possessions has waned the American military presence has grown.

Today Bermuda provides a base for refuelling Nato ships and submarines and is a key link in US and Nato surveillance of the Western Atlantic. Kindley Field US naval air station was leased to the US by the British in 1941 and, together with a naval air station annexe at the other end of the island, represents the most visible evidence of the 4,000-strong American military presence.

Patrol

The jets which bring tourists to the island land at *the civilian-end* of Kindley Airfield, maintained at an estimated $20m-a-year cost by the US Navy, and take-off past groups of black-nosed turbo-props — US Navy aircraft whose main job is to patrol the Western Atlantic keeping watch over Soviet missile-carrying submarines.

Trade union opponents of the US military presence complain that Bermuda has become a 22-mile-long "aircraft carrier" and that, in the process, Bermuda has become a prime military target in the event of war.

But most senior politicians and businessmen are philosophical about playing host to the US Navy and Nato. Premier John Swan notes that the relationship with the US is one of "reciprocity" and disputes that the military presence "generates any [illegible]" He argues forcibly that "the base is an asset because it operates *the airport*," and that Bermuda — because of its geographical and strategic position — forms an important integral part of the Nato alliance.

Indeed, some Bermuda businessmen go further, suggesting that the island may have the best of both worlds. As Mr Donald Lines, Bank of Bermuda's chief general manager, puts it: "We have American security under the British flag."

Revenues still rising

Shipping register

KEVIN STEVENSON

BERMUDA's shipping register is expected to top the 1m ton mark by the end of this year, the first time in five years the registry has reached seven figures.

A spokesman for the Govern*ment's Registry of Shipping* Department said there were a total of 76 commercial vessels registered in Bermuda totalling 904,750 gross tons. More tonnage is in the works.

"We've had a very good year," says Mr Ron Ross, principal marine surveyor, who adds that revenues from the registry should exceed $500,000 this year—well above the original estimate of $350,000.

The registry had hovered between the 700,000-850,000 ton level for the past several years. Previously, it had exceeded the 2m tons mark, but dropped precipitously to less than 435,000 tons in 1982 at the height of the Vietnamese refugee problem.

But the difficulties facing the Bermuda register appear to be over. The Bermuda Government embarked on a modest rebuilding campaign and in 1983 alone total tonnage more than doubled, pushing Bermuda past the Bahamas as the sixth largest Flags of Convenience registry. That year the Shipping Registry posted a profit of $425,480 on total revenues of $538,590.

A total of 14 ships came on to the register over the past 12 months, representing 351,590 tons gross. Over the same period six ships totalling 181,760 tons gross were taken off the register.

As a result of the recent growth, the Government is in the process of hiring an engineer and ship's surveyor, in addition to two more surveyors, effectively doubling the existing staff.

The recent upsurge in tonnage underscores the growing popularity of Bermuda as an alternative registry to ship owners in the UK, who have seen their registry decline in recent years.

Bermuda remains a part of the British registry through *the Merchant Shipping Act of* 1894, but the island is more appealing as a port of registration because of its favourable tax status for companies with ships registered here.

The Bermuda registry remains classified as a Flags of Convenience registry primarily because it allows beneficial ownership. But over the past 10 years Bermuda has sought to bring into effect tough legislation making it among the most stringent for manning levels, safety requirements and operations.

Indeed, the Bermuda Government is currently applying to have the UK extend four *major marine conventions,* which would bring the Bermuda registry on par with the UK registry.

The conventions are the Safety at Life at Sea 1974 (Solace), Marine Pollution 1973 (Marpol), Standard of Training, Certification of Watchkeepers 1978 (STCW), and International Labour Organisation 147 (ILO 147) which provides for welfare of crew requirements.

If the Bermuda Government is successful, the Bermuda registry would fall into Category "A", allowing almost any kind of commercial vessel to be registered in the island.

Already, Mr Ross reports, inquiries have been made by shipowners with vessels registered in Liberia and Panama. He believes the key to success is political and economic stability.

Because Bermuda is still a UK colony Bermuda-registered vessels must be owned by UK or Commonwealth countries. That would change if the island became independent, with the possibility that the Bermuda registry could challenge other, much more established registries in less stable countries. "If independence comes the Bermuda registry could increase sharply," said Mr Earling Naess, designer of the OBO (ore/bulk/oil) carrier.

Benefits

Despite the nationality restrictions, the Bermuda registry had in excess of 2m tons gross in 1979. The financial benefits were obvious. The small Registry of Shipping Office has in recent years employed just three people. In 1979-80 it made a small profit of $56,000.

Then the bubble burst owing to the unforeseen magnitude of the Vietnamese refugee problem.

There exists the unwritten law of the sea which states that refugees picked up at sea should be taken to the country of the rescuing flag. In a two-year period 1980-82, a total of six Bedmuda-registered vessels picked up dozens of refugees *escaping Vietnam.*

Only six were ever resettled in Bermuda as a consequence of the UK Government ruling that the island should bear some responsibility. But the Bermuda Government was quick to point out it would disband the register unless a long-term solution was found.

A temporary stop-gap solution was found when the Bermuda Government announced it would discourage owners from registering ships there if their vessels plied such areas as the South China Sea, where most of the refugees were being rescued.

Then, in early 1982, the *Bermuda Government was given* permission to deal directly with the United Nations High Commission for Refugees (UNHCR) in Geneva, Switzerland, to see if it could gain access to resettlement programmes for nations considered ill-suited for the resettlement of refugees.

A tentative deal was negotiated with the UNHCR but at about the same time the problem of the refugees appeared to recede.